

Future plans: preserving wealth for the next generation

Tariq Aboobaker, Managing Director, Amicorp Trustees (India), explains what Indian families can do to ensure successful wealth and succession planning.



FOR ABOOBAKER, IT DOES NOT MATTER whether wealth is a result of old money or new money. As far as he is concerned, only diligent wealth structuring will help to ensure that it remains the preserve of future generations.

According to him, often where existing wealth has run over generations, it has been invested ad-hoc. “There is a lot of synergies and energies put in together by all family members,” he says. “But there’s still uncertainty, and there’s less clarity in terms of ownership structures.”

“Restructuring existing businesses and planning for the future, is really what families with existing wealth are looking for,” Aboobaker reasons.

On the other side, families with ‘new money’ face similar issues in the sense that they want to ensure the next generation inherits the wealth that has been accumulated to date.

In both cases, wealth structuring and succession planning become very important. The mechanism chosen to achieve this, which may or may not be a trust, is a secondary criterion.

A balancing act

There are, of course, other factors at play too. Protecting ownership and control while planning to pass on wealth to the next generation is a delicate balancing act.

“There are a couple of family offices that would try and help you around this,” says Aboobaker. “But in most cases, family offices are purely focusing towards wealth advisory than transmissions.”

For this reason, he advises caution when choosing an advisor on these matters to ensure they are closely aligned with requirements of the family.

Many family offices work with trust companies where they can plug into their structuring and succession planning expertise—a combination that families could look at, he says.

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The right structure

Even once structures are in place, a close eye needs to be kept on them to ensure they remain relevant. As the world evolves, there may be reasons to refresh one’s approach and consider alternatives.

“Once in a year, is a good time frame to relook at the structure,” advises Aboobaker. “Not necessarily that every time but laws are so dynamic in nature but not looking at the structure at all may again not be a wise thing.”

For this reason, it is critical to have the right advisor on these matters. “In most cases, he will be active to let you know if the structure holds good in the eyes of the law, whether that’s the land of the law where the structure has been set up or the land of the law of the beneficiaries.”

With a functional structure in place and the right trustees to manage it, Aboobaker feels that the dynamics should not change that much. However, he does caution that the introduction of Place of Effective Management (POEM) and other laws are essential factors that need to be considered.

POEM, for instance, affects a director in an offshore company who takes all decisions sitting in India. “The law could very well come up and say that this is managed and

controlled in India and should be taxed in India,” he says.

Despite this, declaration of wealth is something that Aboobaker takes very seriously. He comments, “Whether the law asks

for it or not, we always worked with clients where we have 100% disclosures,” he says.

“Yes, from a POEM’s standpoint, there would be a certain amount of restructuring because that’s something that was not there a couple of years back.”

“But solely from a declaration standpoint, I think we have a plan to reach 100% wealth declared eventually,” he notes.

Trust popularity

Ensuring the right structures are in place and keeping a close watch on changes to the law is vital to preserving wealth.

Aboobaker cites some reasons why many families in India opt for trusts including consolidation and protection of assets, avoidance of disputes and probate issues, succession planning and prevention from estate duties.

“So far India does not have estate duties, but there are estate duties in developed countries like US and UK,” he explains. With beneficiaries potentially living in those regions it is essential to protect wealth in a more sophisticated manner and may be a critical reason that a trust is required.

Clearly, it is a complicated matter. With global changes, such as the waylaying of new foreign own-



ership in territories like the UK, there are often complicated tax issues to contend with too which Amicorp helps clients to untangle and understand.

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“The structure is very clearly, defining different asset classes for

also progressively implementing them and moving company shares into the trust for ease of future management and distribution.

“The trust business, by itself, is slow and steadily picking up its value and clients are now more vocal of their needs, more expressive and willing to look at options that would help them, not only now, but also in the long run,” he says. “We do see potential in this business in the future.”

This certainly bodes well for Amicorp, where the first five years of the business were focused on family trusts. Last year, it set up the alternative investment funds (AIF) desk for which it acts as trustees.

Now, the firm is gearing up to apply for a debenture trustee license with SEBI.

“We could then say we’re a complete, full-fledged trust company in India,” he says. “We would do everything under the judiciary capacity as trustee, from a family trust to an AIF to debenture trustees to securitisation.” ■

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“Some of them may have understood it well, some of them may take longer to understand,” he says. “That varies from client to client but, at least, 100% of the clients are aware of what structure they hold today, and what are the tax implications and declarations around it.”

According to him, a few of them have also chosen to unwind those structures and come into more simple, individual ownership pat-

terns, but that also depends on the properties that they hold, and for the overall objectives.

Client awareness

Aboobaker is finding that Indian families overall are becoming much more aware and have a deeper understanding of succession planning and the ring-fencing of assets. Not only do they know more about trusts, but they are