

How to help wealthy Indian families 'let go'

Tariq Aboobaker of Amicorp explains a proven approach to helping these clients to use effective structures for planning their succession and protecting some of their assets.

The rigidity that many wealthy families in India show in terms of their fear of losing control over their assets continues to pose a big challenge for most wealth planning professionals.

But this doesn't have to be the case, says Tariq Aboobaker, managing director of Amicorp Trustees in India, who is responsible for looking after all aspects of estate planning.

While planning for one's estate and succession, the client also needs to consider asset protection, so that the personal wealth is not attached in case of business failure or any creditor's claim.

The approach he recommends to overcome this hurdle of losing control, is to break down family wealth into separate categories and then to put only a certain portion of it into trust structures that will provide asset protection. This can reassure clients that they still own part of their wealth, he explains.

"We have advised families not to move 100% of their wealth into a trust, but instead a portion of it that they are willing to relinquish ownership and control of," says Aboobaker.

"If I tell them that they need to relinquish around 20% to 30% of their wealth into a trust structure which is for the benefit of their family, they are willing to discuss it," he adds.

This has led to a certain amount of success with wealthy families in India, he acknowledges.

"We break up the clients' wealth into parts and that's how we are managing trust structures."

Some assets might, for example, be put into a structure that is disconnected from the family and fully irrevocable, to create an asset protection angle. The rest, meanwhile, could be kept in a structure where clients retain control,



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to provide benefit to them during their lifetime and then pass on the wealth to the next generation in amicable manner.

PARTNERSHIPS KEY

Amicorp, which Aboobaker estimates to have structured 250-plus trusts in India, realises the need to take a patient approach to putting such solutions together, especially since the process of educating clients and creating sufficient comfort doesn't happen overnight.

At the same time, family planning structures require a mix of expertise and experience that the firm needs to access via third-party specialists.

"A large number of meetings are needed with a client before they agree to a trust

of various organisations such as Centurion Bank and HDFC Bank.

"It's very difficult to get the right blend of parties [in a wealth structuring conversation every time], but we have built a good team of a respectable size," adds Aboobaker.

Further, the firm's 25-year track record is a big plus in a market where most family trusts go back only a couple of years.

The same goes for Amicorp's ability to form partnerships. "We don't offer legal advice nor tax opinions," he urges.

GREATER ACCEPTANCE

A PwC survey in 2016 showed that only 15% of Indian HNI families have a formal succession plan, based on 102 families surveyed.

But some recent trends also increasingly point to the fact that wealthy Indian families are becoming more aware, willing and open to the types of solutions that Aboobaker can deliver.

Part of the reason for Indian HNIs being more receptive to formal succession plans and family structures, is due to geography – as they are located around the world.

"The world is getting smaller. Once upon a time, having international exposure via wealth and children overseas was not at all common," he says.

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structure, and also once they have decided to move some of their wealth into the trust," he explains.

Yet while the time period is long, and therefore high patience levels are required to deal with slow conversions, having the right knowledge on hand is critical.

This is based on Aboobaker's decade or more of experience in succession planning, wealth structuring and private banking – during which time he has set up estate planning services on behalf

As a result, it has forged relationships with wealth managers, lawyers and chartered accountants, for instance.

And he doesn't see any issues relating to overlap, since Amicorp serves as the trustee.

"We only add value to the structure," says Aboobaker, adding that perhaps the firm's biggest and most meaningful contribution is in breaking down barriers to enable wealthy families to discuss structures and see them through to implementation.

Tied to this is the fact that these clients see the complexities involved with cross-border taxation and succession laws, in turn encouraging them to look for suitable solutions for succession of their wealth keeping in mind the off-shore laws.

Amicorp, with its global presence, has assisted large number of clients with both onshore and offshore solutions.

Another reason is for business families to plan their succession due to the complexities of cross holding structures and issue of transfer of ownership versus management, especially when some of their children are not active in the family business. ■