

Kotak Mahindra Expert on Why India's Wealthy Private Clients are Embracing Estate & Succession Planning

Gautami Gavankar is CEO - Estate Planning & Trusteeship, Kotak Mahindra Trusteeship Services Ltd. and has over 23 years of overall experience. Gautami joined Kotak in 2005 to set up the Estate Planning practice, after the early years of her career practising law. Hubbis met with her recently to learn more of the firm's offering and the market's evolution. When we last interviewed her early in 2018, the world and the Indian wealth management environment were really very different. The world seems to have rather closed up since the pandemic, while the Indian wealth management market has continued to open up and expand apace. But despite the pandemic and its consequences, she remains as optimistic today as she so evidently was during our 2018 interview. That is because the drive towards family business and estate succession had already been powering ahead in India and has become even more of a priority for wealth families since the unwelcome and unexpected arrival of Covid-19.

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An early mover

“We at Kotak, started the succession planning business way back in 2005,” she reports. “We have dedicated ourselves to helping clients structure their estate planning, which is essentially leads to the client achieving three objectives, namely estate management, estate preservation and estate legacy. It has been an incredible 16 years so far, and we feel as if the momentum is now really picking up as this all moves mainstream for more and more wealthy Indian clients.”

the creation of more and more HNW and UHNW clients, but the entire professional client segment has expanded and Kotak is catering to the rising demand. “I see our clients in broadly two categories,” she says. “We have the business owner families and secondly, the professional families,” she reports.

Typically, she explains that the second-generation business family members return from overseas, are well-educated and often bring in best practices for their businesses, understand the importance of proper succession planning for the

say that everybody is doing it, but I do see a greater proactiveness in families to address the what-if scenarios more openly,” she remarks. “And the cash flow problems some family businesses have faced since the last year has prompted more people to structure in more ring-fencing for family assets, and creating safety pots for such unforeseen eventualities and so forth. Taking a holistic view of things is increasingly important.”

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She explains that the firm helps clients through the holistic succession planning exercise and in deciding as to how they will go forward, preparing wills, restructuring of assets based on ownership structure, putting in place private trust structures, setting up underlying investment entities including private trust companies if required. All this is done by engaging with the best industry experts as may be required. “We ensure that the entire succession plan is put in place, it is a comprehensive service based on a holistic view of clients, their family, their business and taking into account all their needs,” she says.

The tailwinds propelling estate planning

She reports that the tailwinds are with them. Not only has India seen

business and they are interested in putting in place the family governance models adopted by the western world.

“The second generations want to professionalise the business, want to ensure the business grows and thrives for future family generations and consequently they set about assembling the right structures, plans and governance,” she elucidates. “Succession is a vital element of all this.”

Hearts and minds

She says the pandemic has really helped focused hearts and minds on these vital issues. In our initial years of practice, clients didn’t want to talk about death and wealth succession leave alone plan for it. “I won’t

Ring-fencing businesses and family assets

She explains that in order to ring-fence assets, the right structures need to be in place, including perhaps trusts, jurisdictional diversification of wealth, creating safety pots etc. “And alongside these developments, we have seen the rising prominence and the importance of professionals, consultants, trustee companies, multifamily offices involved in doing this kind of work,” she reports. “This has all been improving over the years.”

She adds that Kotak Mahindra now works very closely and seamlessly with many of these onshore and offshore consultants and advisors, to help coordinate and set up all the appropriate structures in India and offshore jurisdictions to meet the requirements of their clients, thereby offering clients holistic assistance.

Cases in point...

She quickly summarises two noteworthy projects that Kotak has worked on. The first centred on a business-owner family that required multi-jurisdictional estate and succession planning, as they had listed and unlisted



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Kotak

companies in India and family in the US as well as India.

“We had to address issues such as taxes in the US, what might happen if India reintroduces inheritance tax, and the amicable disposition of wealth in the event of the patriarch passing away,” she reports. “The parents decided to create two trusts, one for the son and one for the daughter, both structured differently as one is in India, the other in the US. We worked with US and Indian lawyers, and regarding the US, we created a Trust with advice from US Estate Planning Attorneys and made sure that all reporting and taxation aspects are taken care of keeping in mind Indian and US regulations.”

Pulling it all together

She explains that, she and her team were able to advise the family on getting the right people as consultants and applying their knowledge and expertise of similar or other situations. “There were many challenges we faced, as in many such situations, but the collective expertise and skills allowed for a successful resolution to what was a fairly complex and multi-jurisdictional scenario.”

Getting Personal with Gautami Gavankar

Gautami was born and raised in Mumbai, where she has lived and worked all her life. She attained her Bachelor’s Degree in Commerce and Economics at the Sydenham College of Commerce and Economics in Mumbai. She graduated as a Lawyer from Government Law College. After her law degree, she did her articleship with Kanga & Company, one of the leading and oldest law firms in India and became a Solicitor and is a member of Bombay Incorporated Law Society.

She reports that she thoroughly enjoys handling clients, and that every day and every project is different. “Every case and every client’s situation is a challenge, a puzzle to overcome and finding the right solutions and structures is really rewarding,” she says. And what is most important is to find the right solution and structures which work best for the family.

Gautami has a passion also for trekking and running. “I have run many half marathons and also graduated to full marathons” she reports. I run at least two to three times a week. For the past few years by running the Tata Mumbai Marathon, I have been raising funds for an NGO called SOPAN. SOPAN works in the areas of autism and other developmental disabilities and is engaged in rehabilitating children and young adults. I also trek and before the pandemic I used to trek every year in the Himalayas and have done some fairly high altitude treks. I have a few treks on my bucket list like the Great Lakes of Kashmir, Mount Kilimanjaro and Annapurna Base Camp, which hopefully I will plan when we are able to travel safely again.”

The other example was a joint business family where the third generation was already involved in the running of the company. Gautami explains that the family had different lines of businesses and they were thinking of putting down a family governance mechanism, because they wanted to ensure that the family continues to own and run the businesses for generations together.

Mining down into the detail

“So, faced with this situation, we proposed several things,” she

recalls. “We put in place a detailed family business succession plan, we looked at voting rights, how the family members could be involved or not, laid down an ownership succession and management succession plan and of course drew various policies for inheritance, family involvement in management, rewards, leadership, retirement and entrepreneurship. We looked at various scenarios on how the wealth should be divided for the benefit of every family member, how decisions should be taken, including if the second generation



Key priorities

Gautami explains that a key mission is to enhance the technology platform. “We are in the midst of building a robust platform in-house and we are also buying some technology solutions externally,” she reports. “As a fiduciary business, it’s important that we are well supported by technology solutions to support our clients.”

The second priority is having the right talent with us, mentoring them and motivating them. “We want the best talent and want to retain them, because this is ultimately a people’s business,” she says. “We are an island of knowledge, and we have to ensure that this island of knowledge continues to grow in experience and capabilities for the benefit of our clients and the institution. Our aim is to grow with client centricity and client satisfaction in mind.”

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or the third generation wants to diversify into some other new businesses. There were many issues to address, and we solved them through multiple planning mechanisms like laying down a family constitution and framing a family council and an advisory board, creation of Wills and multiple trust structures.”

Gautami observes that the art of applying their knowledge and the enormous experience they have amassed over the years working with clients and coordinating amongst all the different parties involved is one of the core skills offered by herself and her team.

“To achieve the goals that we want to realise for our clients in sophisticated structures to cater to complex scenarios really needs a lot of careful judgement and experience. What most families value is our ability to handle these different elements and pull the right solutions together amongst ourselves and the other experts.”

She says there is no one solution that fits all, as every family has nuances, and each scenario is unique. “As a bank subsidiary trustee company, we can devise the ideas, but we always make sure we coordinate with external consultants, lawyers and

accountants to ensure the right structure is put in place to cater to the client needs," she comments. "And of course, when dealing cross-border, it is particularly vital that we address all potential aspects like the offshore tax, legal and reporting exposure for any Indian structure by seeking the right expert advice; after all, we do not want the future generations suffering due to inappropriate structures created."

Solidity and the support of a major bank

As to differentiation with competitors, Gautami says that as a 100% subsidiary of a bank, which is governed by Reserve Bank of India, there is a great degree of security and accountability.

"We are also trustees to the captive venture capital funds which Kotak has and thus we are governed by the Securities and Exchange Board of India and also indirectly by the RBI," she reports. "Kotak Wealth is also the largest private bank in the country and this is a major advantage for clients. When you are entrusting your entire family wealth to an entity, this type of reassurance is truly valuable. And of course, the team consists of lawyers and chartered accountants who have immense experience in the field of succession planning, on structuring, trust administration

etc as we have been doing this work since 2005."

The rise of the family office

Gautami also addresses the rise of the family office structure in India, noting that because of the increasing number of HNW and UHNW families, there is a growing need for such platforms. Over the last few years, Family Offices have evolved to offer everything a wealthy family needs: from the expected, such as investment management and managing the family wealth, consolidation and record keeping; to the more sophisticated, such as estate planning and philanthropy; as well as lifestyle enhancement services, such as concierge services, luxury purchases, and more.

"We are seeing more and more multi-family offices (MFOs)," she reports. As a Multi Family Office, we meticulously cater to client needs through our bespoke offerings. We liaise with a team of specialised external experts to give client services, across a wide variety of disciplines. Conventional private banking services deal only with investments. We cater to needs that complement traditional investment-based services. "They operate across the board, providing everything from investment management

to assistance in account and tax management, all the way through to concierge services. The MFO can also delve into areas of specific interest to these clients, for example impact investing, or help with setting up onshore and offshore investment entities or succession planning structures the family might want to create. Through the multi-family office platform, we are able to cater to all these requirements and many more. And we expect more and more families to turn to MFOs in the future."

A great adventure and deeply rewarding

She closes the conversation by remarking that each challenge she and her team face is much like the challenges she enjoys when on one of her long treks.

"I love trekking, and each adventure is really challenging," she says. "Each trek, whether a difficult one to the Everest Base Camp, or a simple one in the Western Ghats of Maharashtra, is also very different and incredibly rewarding. And so too it is in our business. I am very passionate about our practice areas and finding solutions to client specific situations and queries is what we are ultimately there for and each project is like a challenge, an adventure and also incredibly rewarding." ■

