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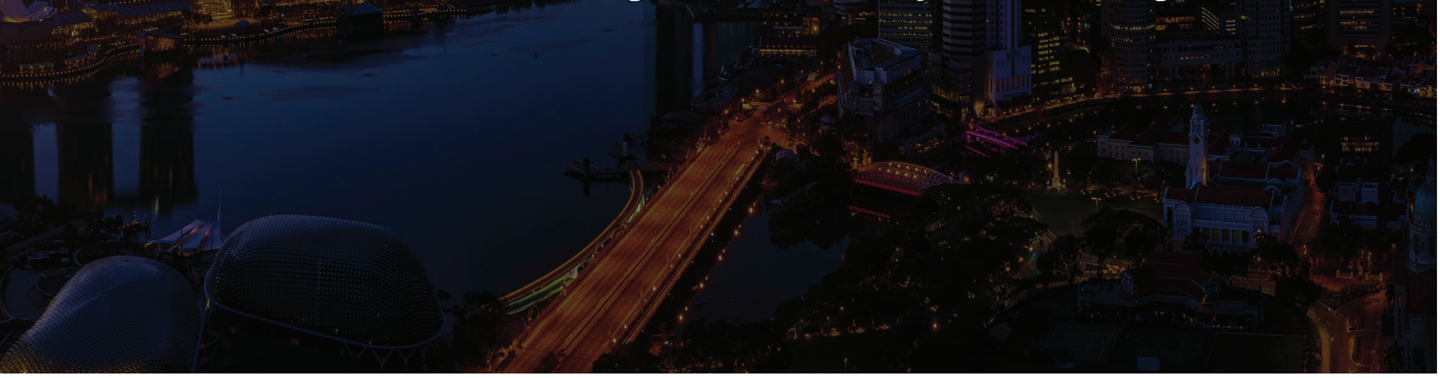
Lee Woon Shiu of DBS on the Need to be Proactive in Wealth & Succession Planning

Lee Woon Shiu, Managing Director and Group Head of Family Office, Wealth Planning and Insurance Solutions at DBS Private Bank, is in a privileged position, working with an array of the world's HNW and UHNW clients and families, and each and every day gaining new insights into their thinking and needs, then plotting new structures and planning with them and for them. In this discussion, the second of three recent discussions with Hubbis, Woon Shiu surveys the snowballing transfer of the family businesses and the vast private wealth in Asia from the older and founder generations to the next and younger generations. Wealth, succession & legacy planning is difficult enough for anyone, but for families with huge wealth, a diverse array of businesses, and perhaps with assets and family members dotted around the globe, this is a major undertaking.



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LEE WOON SHIU
DBS Private Bank

Responding to a question on when the older or founder generations should think about legacy and succession planning and the key issues they should consider, Woon Shiu explains that it is vital as a first step to take a deep dive into the client and their precise situations.

Devising the right frameworks

"The starting point is so important, because this is all about far more than bank accounts, stocks and other investments; it is all centred on creating a framework of how to manage different family members and different people involved, often with conflicting expectations and interests, and balance their needs in the hope of reducing the potential for conflict, or perhaps to defuse conflicts that have arisen."

He highlights the Three Circle Model of Professor Davis of Harvard University, which he often refers to in early planning discussions. Davis created a Venn diagram with three overlapping circles representing Family, Ownership, and Business, which help to clarify the roles and perspectives, and issues to be resolved.

"The model provides a visualisation of where the circles overlap and create the most harmony or equilibrium," he explains. "Clearly the founder is central to the whole equation as the patriarch is usually the owner, decision maker, and also head of the family. If the right equilibrium can be achieved, then there is much more chance of the wider family and different generations being at peace."

Sort things out early

However, when the older generation members pass away, there can be many areas of activity and practice where there are differences of opinion, leading sometimes to conflict.

"The issue is therefore to devise a structure and family and business governance protocols where all three different circles will still interact, and the balance can be maintained," Woon Shiu comments. "That is where we and our team play a key role, as we can bring our broad experience of many real-life scenarios and situations to bear and map out the right structures to help these families."

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Managing the variables

As family businesses are involved, control is such an important issue after the founder passes away. The planning might, for example, involve having both a family council and an ownership council, each of which might then interact with the professional, non-family CEO of the company who takes direction from the family and/or owners.

With the right approaches, the tensions can be diffused, but it does require very open and candid discussions, preferably when the founders are still there and capable, as the families and the business will then endure in the manner and with the culture they value.

"Trying to do all this after the founders pass away can create significant tension, as different factions in the family and businesses can demand different outcomes," Woon Shiu explains. "You need to have all these tough discussions as early on as possible, accept that differences of opinions will always be there, but drive towards solutions and structures that will be most acceptable for most of those involved."

Guiding principles

He says the governance framework is vital, including perhaps a family

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constitution, providing a compass for future decisions. To make this all more robust legally, Woon Shiu explains that clients can weave these constitutions and family bye-laws alongside the documentation for the business entities, potentially including a Singapore Private Trust Company (PTC) to hold those businesses and make these external family agreements more legally watertight.

The old stories of rags to riches to rags again over several generations are cautionary tales that often have some strong elements of truth, Woon Shiu observes. "The key is starting all this early enough and being sufficiently open and forthright," he says. "In all sorts of situations and of course with families, people avoid stating certain things, preferring to somewhat sweep difficult issues under the proverbial carpet. But that will only cause major trouble later on as you might likely end up with a big mess when the patriarch passes away."

Rising to the challenges

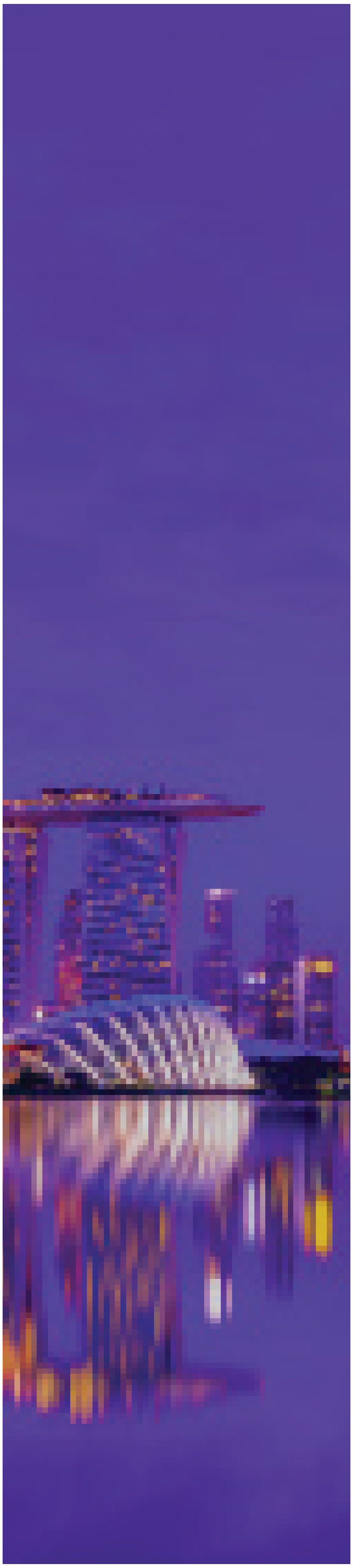
However, Woon Shiu reports that there is a far greater emphasis today on these issues and a far more proactive approach amongst wealthy families. "We see this regularly in the family office formations taking place here in Singapore," he says. "Many new families establishing operations here are behaving in a more progressive way, embracing these concepts, forming family constitutions and organising family and business governance and also succession frameworks, then going the extra step and ensuring they devise the right legal structures, including trusts and other entities."

On top of all this, he says families might also have life insurance solutions that ensure there is sufficient liquidity for the family generations when the founders pass away.

Woon Shiu adds that for those family members that are too far away or too disinterested in the family business, or perhaps both, there are well-worn paths to help ensure that such individuals do not let upset the apple cart of family and business harmony. He says it is best to first understand them, and then pre-empt such situations, perhaps with cash payouts and asset equalisation to make sure that those who wish no future part of the family structure or assets are kept sufficiently happy to stop them from upsetting the equilibrium.

DBS' team of specialists

Woon Shiu closes this conversation by highlighting the commitment



that he and DBS and his team have to their clients. "We bring our very considerable experience, knowledge and softer skills to the table for them," he reports. "We support our presentations and proposals with data and case studies and we build confidence amongst potential clients in our abilities. In the post-Covid world, we all know that we are more vulnerable and that these important issues should not be simply brushed aside. With our team of expert advisors, we can drive the right conversations and the right outcomes."

One size does not fit all

He adds that the team is also undergoing continuous training and although centred in Singapore, offers advice on other key jurisdictions for family offices and structures, such as Hong Kong and Dubai. "No one client or family is the same, and different solutions and also different jurisdictions might suit them better, so we are all well versed in the rules, incentives, advantages and disadvantages of each location, and take in on ourselves to be entirely objective, so each client and family end up with the optimal outcomes. We are well entrenched to work with our clients on either structuring to address the complexities of multi-jurisdictional tax planning and wealth transfer strategies, or embarking on a philanthropic journey." ■