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Meeting the needs of wealthy business families

Smooth and effective succession planning, especially relating to businesses, is becoming increasingly important in Malaysia to protect clients and their assets in the inter-generational shift that is gathering steam.

Panel speakers

- ***David Sussman,*** *Managing Director, EFG Wealth Solutions*
- ***Mahesh Kumar,*** *Partner, Withers Worldwide (Singapore)*
- ***Philippe Legrand,*** *Chief Executive Officer, London and Capital Asia*
- ***Noor Quek,*** *Chief Executive Officer & Founder, NQ International*
- ***Irene Lee,*** *Head of Business Development, Equiom Group*

Succession and governance are big issues for business families in Malaysia (as they are in the wider Asia region) with major families making concrete plans for the next generation.

As they do this, they are increasingly considering a number of more sophisticated structures – including single family offices (SFOs), multi-family offices (MFOs), private trust companies, foundations and family constitutions.

This trend is also gathering pace as the next generational assumes more and more control. Further, these younger family members are also looking to diversify into venture portfolios and tech start-ups.

In line with this, depending on whether advisers are working with inherited wealth or newly-created, entrepreneurial-generated wealth, the formulae and mind-sets will differ.

Advisers therefore need to ensure they help their clients to avoid making common mistakes such as believing their problems are unique to them and can be handles internally.

These were some of the take-aways from practitioners speaking at the 7th annual Hubbis Malaysian Wealth Management Forum 2017 in Kuala Lumpur in July.

David Sussman
EFG Wealth Solutions

FINDING NEW SOLUTIONS

Several families in Malaysia seem to have opted for Singapore as a base for an SFO for various reasons, including proximity, reputation, managing relationships with financial institutions, Singapore's competitive tax system and the well-defined regime for SFOs in the jurisdiction.

For example, the SFOs can be structured in a manner that it does not require a fund management license from the Monetary Authority of Singapore (MAS). With an appropriate registration, the majority of the income generated out of Singapore would not be subject to local tax.

The appeal of Singapore in creating substance and managing structures from outside Malaysia is further being reinforced due to initiatives such as the Common Reporting Standard, automatic sharing of information, OECD multilateral instrument and BEPS.

Meanwhile, practitioners say there is also a trend of families working with MFOs and boutique asset managers.

In line with the search for new solutions, some families are looking to have trusts and constitutions developed that anticipate potential internal disputes; this can include special clauses to promote cooperation and disincentivise hostility.

Mahesh Kumar
Withers Worldwide (Singapore)

Over 50%
Respondents who think succession planning is the main priority in terms of wealth solutions needs of client in Malaysia today

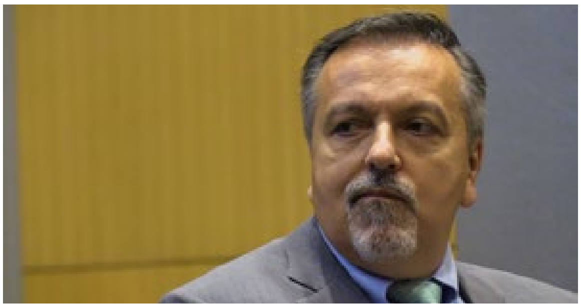
Yet a number of Malaysian regulatory and tax risks have to be addressed in relation to overseas structures, warn practitioners.

These include Malaysian exchange control limitations or cross-border investments and share transfers. Risks arise, for example, if overseas structures are seen to be controlled from Malaysia. As a result, transfer pricing arrangements between the family office and local team in Malaysia have to be carefully structured.

THE RIGHT APPROACH TO FAMILIES TODAY

The greater level of sophistication is also a reflection of the fact that, since information is more readily available, clients are better informed than ever about what is happening.

So while levels of knowledge on wealth preservation and protection vary, the starting point is more advanced.



Philippe Legrand
London and Capital Asia

Yet culture still plays an important role for many family elders in the way they seek advice; and nuances will also impact how family legacy is carried out. For example, with Millennials in key management positions – and with the greater diversity today in gender – impact how a family's legacy continues.

Noor Quek
NQ International

GETTING TO THE CRUX OF THE MATTER

In terms of dealing with sensitive issues, meanwhile, some practitioners suggest that advisers owe it to their clients not to avoid conversations on such topics.

Instead, they should work out how to broach an important subject, even if it takes time to do so. Clients should, say these practitioners, appreciate such an approach.

45%
Respondents who believe the biggest challenge for wealthy families is business succession

Ultimately, practitioners agree that the person who is best-placed to help clients address their wealth planning needs is an individual whom the client trusts. And only once this relationship is established can a specific solution be offered.

AVOIDING COMMON PITFALLS

This will also help prevent wealthy families from making mistakes that can be easily avoided. For example, most sophisticated families are under the (wrong) impression that their challenges are unique to them. This results in them being somewhat embarrassed and wanting to keep certain matters private.

Irene Lee
Equiom Group

The reality however, is that most – if not all – families face similar issues. And even when families are prepared to acknowledge these problems, they tend to try to rely on finding a solution among themselves.

Seeking input from the right, trusted professional would certainly be more likely to make things simpler, believe practitioners. ■