

The Need to Tackle Estate & Legacy Planning Proactively and the Role of Life Insurance Solutions

The Hubbis HNW Insurance Summit of May 3 in Dubai included a discussion of the value of life insurance solutions as part of an increasingly vital need to drive more robust and proactive wealth & succession planning. The small panel of experts tackled a number of key issues related to the evolution of wealth management in the UAE and wider region, the needs and expectations of the local private clients, and the nuances in culture and approach in the region. This is a short summary of the panellists' key insights and opinions.



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Local business/trading group families, HNWIs and UHNWIs from the region have a number of common needs and characteristics

There are common needs and characteristics amongst these individuals and families in terms of their planning and succession requirements, both in terms of control/ownership and also management direction, and Sharia laws and principles dominate the approaches, naturally. Saudi Arabia will present even more clients in the future as the economy continues to diversify rapidly and as wealth spreads across the population.

More structures and solutions are available today in the UAE, and more are coming, while in Saudi Arabia wealth is diversifying and the economy and practices are starting to modernise

One of the most fundamental differences between UAE and Saudi at the moment is that in the UAE, there are already much more advanced solutions for structuring wealth and succession plans and including domestic and international assets.

The core Saudi wealth meanwhile is longer established than in the UAE, but the strategies they have adopted to deal with succession may often involve outmoded structures and practices that need to be brought into the modern world, due to global connectivity, regulations, tax issues and so forth.

Chair:

» **Marc-Andre Sola**
Founder & Chairman
1291 Group

Panel Members:

» **Ismael Hajjar**
Partner, Entrepreneurial Private, Business, Family Office
Services - Middle East
PwC

» **Alastair Glover**
Partner - Private Wealth
Trowers & Hamblins

This is a region where decisions are still largely made by the elders and business founders, but a greater depth of professionalism is coming as change is inevitable

Culturally, the region is one where the decision-making centres on the founder-patriarch or leaders/elders in families, especially perhaps in Saudi Arabia, and generally there is less dialogue between generations than in Western economies, or even perhaps in Asia.

It is best to tackle these matters proactively, but trigger events sometimes force the pace

Sometimes what is needed for those individuals and families that do not tackle these matters proactively is a trigger event that

forces people to take steps. It can be even more complicated if the patriarch has a second or third wife and family, as is quite often the case in the region. A panellist warned that such situations can get very messy and contentious if a patriarch passes away or becomes incapable without properly addressing these matters.

Triggers could be infirmity or lack of capacity, or nowadays tax and regulation. Although tax has been low or zero across the region, the arrival of a small corporate tax charge in the UAE is a warning signal that the direction of travel has changed, and perhaps more taxes are coming up ahead.

"Typically, at the moment in the UAE, and also to a lesser extent in Saudi Arabia, we see taxation being a trigger, because they have to re-structure anyway in order to comply with the corporate tax requirements," an expert told delegates.



Alastair Glover
Trowers & Hamlins

The arrival of corporate tax in the UAE has major structural and cultural implications that cannot be ignored

Expanding on this, he said the new corporate tax in the UAE means a lot of companies and families will need to restructure their holdings and holding companies to split domestic from international revenues and profits. "Alongside this, patriarchs and founders are now increasingly but very gradually thinking about taking that opportunity to make a much bigger restructuring and planning around their overall wealth and succession," he added.

It is often difficult to work with or to bypass the family advisors who have long acted as gatekeepers and who often have their own agendas

Many families have advisors that act as gatekeepers for these families, and for lawyers and wealth market practitioners to navigate past them is often very difficult.

"It is a process," said one expert. "It

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requires them to gradually buy into it. This is a massive generalisation here, but the level of sophistication and appreciation of these matters is often lacking. It could be the CFO of the family business who is tasked with helping the families to navigate all of these incredible complexities, and what we advise could then affect them, so there is natural reluctance. These are major issues to overcome. They often see us as threats."

He added that the same story often arises when there is a family office, often at least in part run by non-family members, or family members with worries or vested interests.

On the other hand, sometimes a family office has already replaced the family gatekeeper, making it a more accessible avenue through which external professionals can help these families tackle these often-complex issues.

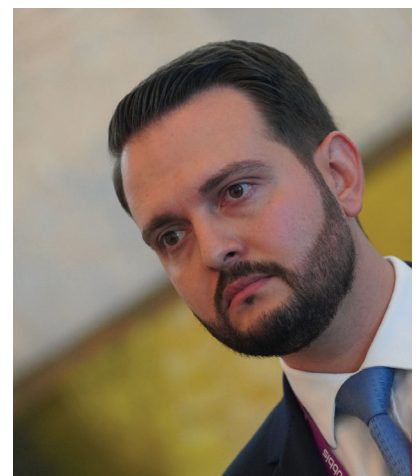
People resist change and gatekeepers are very much resisting change, because they're afraid about their jobs, and like the patriarchs or others, they often also have secrets or conflicts of interest and so forth, and all these hinder progress, one panellist indicated.

In a more regulated world in which there is far greater mobility amongst family members and generations, addressing these very important matters has become

essential, and no longer a luxury or a concept to be brushed under the carpet...

However, regulations and global mobility and even multiple residences and possibly citizenships make these matters of pressing importance. The gradually rising professionalism of family offices will help oil the wheels of what is an inevitable transition from the older way of doing things to new practices, they agreed.

The experts also agreed that as individuals in the region are increasingly international in their wealth, properties and family members around the world, it is absolutely vital to address matters of compliance, regulation, tax and succession head-on and as soon as possible.



Ismael Hajjar
PwC

Many solutions, many structures, and much work to be done

There could be numerous types of progress, from corporate restructuring and different classes of shares to reflect control and/or ownership, and so forth. Most importantly, an expert highlighted the importance of communication

and education among family members and different generations.

And the message is getting out louder and more clearly that life insurance structures can, and often should be, key elements of any robust wealth and legacy planning

Throughout the discussion, the panellists continually referred

back to the important role that life insurance structures, for example, Private Placement Life Insurance (PPLI) can play in helping such clients and families address these matters in a compliant, efficient and highly effective structure, not instead of legacy and succession planning but as a core element to significantly improve the overall outcomes. ■

