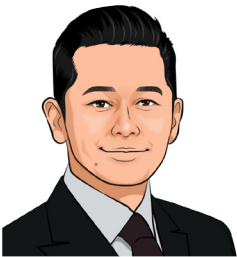


Tools and Strategies to help Private Clients Secure their Legacies for the Next Generations

Approaching private clients on matters of wealth structuring and estate planning is difficult anywhere in the world, but the wealth management industry has for some years been more directly addressing the truly massive transition of wealth taking place from the founder/older generations in Asia (and indeed in the Middle East as well) to the younger generations. The October 27 Hubbis Digital Dialogue event saw a panel of experts review the state of the wealth management industry from the perspective of the evolution of carefully planned and well-executed wealth, estate and succession planning and structuring, including advice on how to nurture the right types of discussions around these important subjects.

SPEAKERS



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PARTNERS

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Setting the Scene

The wealth industry nowadays considers advice and support around estate and succession planning amongst its core clients as central to its ongoing proposition, as it not only helps to promote a professional approach to planning that will help preserve each family's wealth into the decades ahead but is also helping the private banks and independent firms connect to the next generations of clients.

Estate and succession planning solutions are therefore key areas of rising emphasis in Asia's wealth advisory industry, as it is also in the Middle East. As so many of the founder generations in Asia and the Middle East age, as more of the second generation take control and more of the third generation return from overseas armed with their Western educations, there is a concomitant increase in both the focus and the professionalisation of solutions the wealth industry can offer in order to keep their private clients engaged.

Our select panel of estate and legacy planning experts analysed how wealth management and other professionals can turn these developments to the advantage of their clients and help devise the right solutions for their clients.

They debated what talent, experience and expertise are required, and how the client-facing advisors and professionals should most effectively approach and communicate with these clients. And they reviewed what types of tools could or should be used, including trusts, holding companies, life insurance structures, as well as what jurisdictions are relevant and appropriate today from an effectiveness viewpoint, as well as from regulatory and reputational perspectives.

THESE ARE SOME OF THE QUESTIONS THE PANEL ADDRESSED:

- » How do the private banks and independent wealth firms in Asia meet the needs of and simplify the complexities involved with the global Asian family?
- » Are the private banks and independent wealth firms in Asia grasping the opportunities on offer in relation to legacy and succession planning for their clients? How can it enhance the relationships with the clients and their families/generations?
- » What are some of the key developments taking place amongst wealthy families in terms of their legacy and succession planning needs?
- » How is the wealth management industry working to help their clients curate the optimal planning and solutions available?
- » How closely involved should the second and third generations be in this drive to more robust estate and succession planning?
- » What have the government and the regulators/authorities been doing, for example in Singapore and Hong Kong, to boost their importance as estate structuring centres of excellence?
- » How does the region's wealth advisory community deliver advice and structures across multiple jurisdictions?
- » How does HNW life insurance fit into this type of planning?
- » How do the banks and other wealth advisory firms work with the professional services industry, such as lawyers, tax advisors and trust experts?

People are moving around again and with international mobility comes a greater focus on global tax and compliance

A guest based in Hong Kong opened the conversation by highlighting (and welcoming) the increased freedom of mobility as the pandemic had waned. He remarked that with this comes a greater focus also on cross-border international tax planning as families review their assets, homes, and family members across the globe, some of them seeking to move country, perhaps as a direct result of the pandemic restrictions.

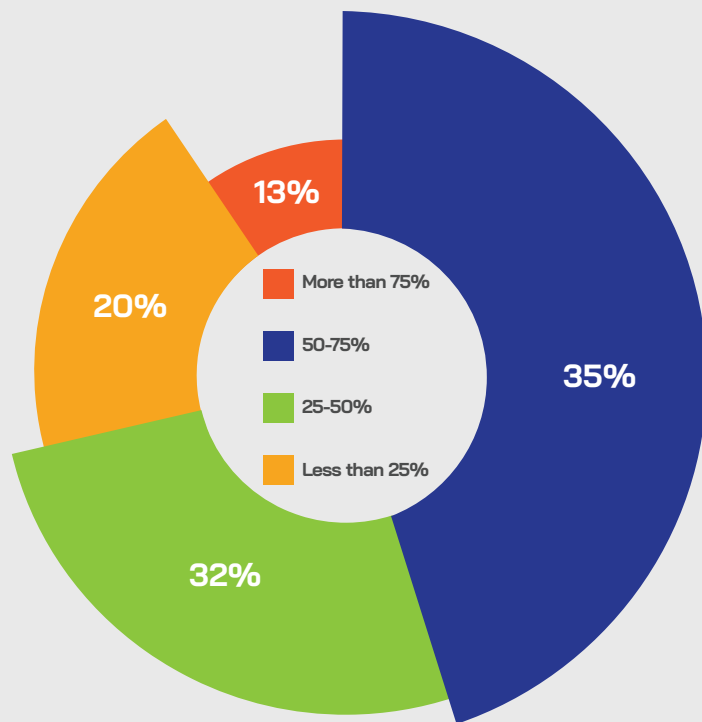
He noted that while people were locked up at home during the worst of the pandemic, they had somewhat stepped back from complexity, preferring simpler and more transparent lifestyle and structuring solutions.

Immigration planning is now front and centre of HNW and UHNW priorities

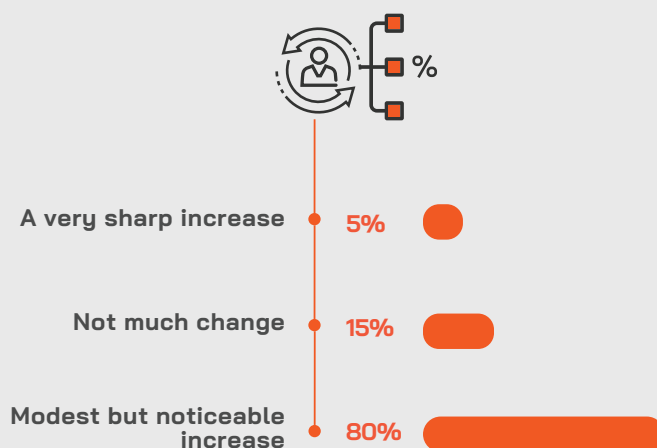
“In the past year, I have felt like I have become more of an immigration lawyer than a trust specialist,” a lawyer quipped. “More and more people from the world over want to move to Singapore, perhaps establish a family office or other structure, and need a broad array of advice and support. Others, such as non-Singaporeans married to Singaporeans, are seeking to return here, and need help with a whole array of issues around their structures, their children and so forth. Governance around families, structures, family businesses is also a key focus.”

The Hubbis Post-Event Survey

APPROXIMATELY WHAT PERCENTAGE OF YOUR PRIVATE CLIENTS IN ASIA TODAY HAVE WELL-ORGANISED WEALTH AND ESTATE PLANNING IN PLACE?



TO WHAT EXTENT HAVE ASIAN PRIVATE CLIENTS BEEN INCREASING THEIR USE OF LIFE INSURANCE SOLUTIONS AS PART OF THEIR WEALTH AND ESTATE PLANNING IN THE PAST FEW YEARS?



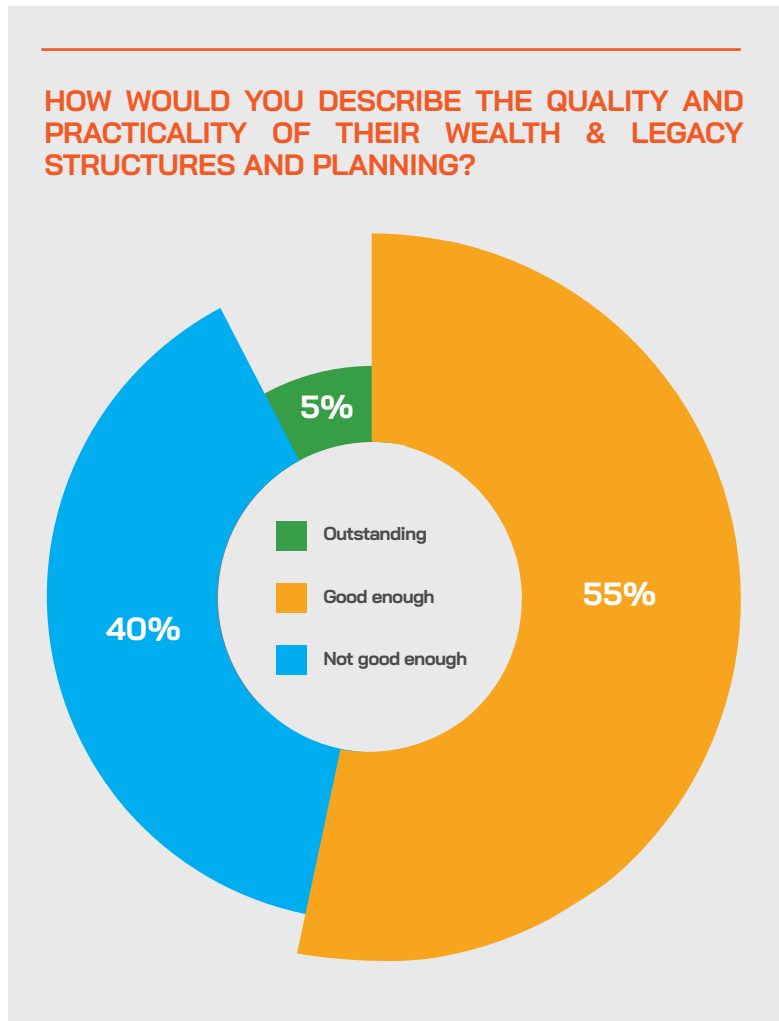
Another guest remarked that for some families, continuity of the business is most important, especially if the children or grandchildren are mature and properly settled already financially from the family wealth or their own endeavours.

The baby boomers are in control of much of the world’s wealth, but the times are changing

A guest highlighted how research indicates that some 60% of global wealth is controlled by the baby-boomer generation with the Gen X and the millennials coming after that controlling less than 10% but noted how over the next 10 to 20 years that is going to reverse with the next generations taking on more control of the wealth.

“Accordingly, this major change means a major adjustment for how we work with the older generation gifting their wealth, and with the other generations taking control of that wealth,” he explained. “And governance, family constitutions and blueprints become rather important, as those holding the wealth today want to ensure that the money is spent in accordance with their values and that there is continuity, including of the family businesses.”

He explained there are those clients who believe their family values and stability will endure, and others who want to be more prescriptive. “Asian families in the past they were reluctant to speak about death and planning, whereas having worked in Europe and North America, I think that sort of subject is a lot more prevalent in family discussions,” he said. “But I’m



Expert Opinion

SIMON LO, International Chief Executive Officer, Charles Monat Associates

“There’s also demand for a more global and holistic approach to wealth planning, and the clients are quite open to the idea of using life insurance tools to augment, supplement and enhance their long-term legacy planning or wealth planning strategies. The world is a smaller place now too, with the advancement of global communications and increased connectivity, it is common to see advisors and clients who are well-aware of products, from Asia, Bermuda, or even from the United States and how these products may help them to do better planning regionally or globally. We see the mindset and openness that is certainly there. That’s a great trend for the industry.”



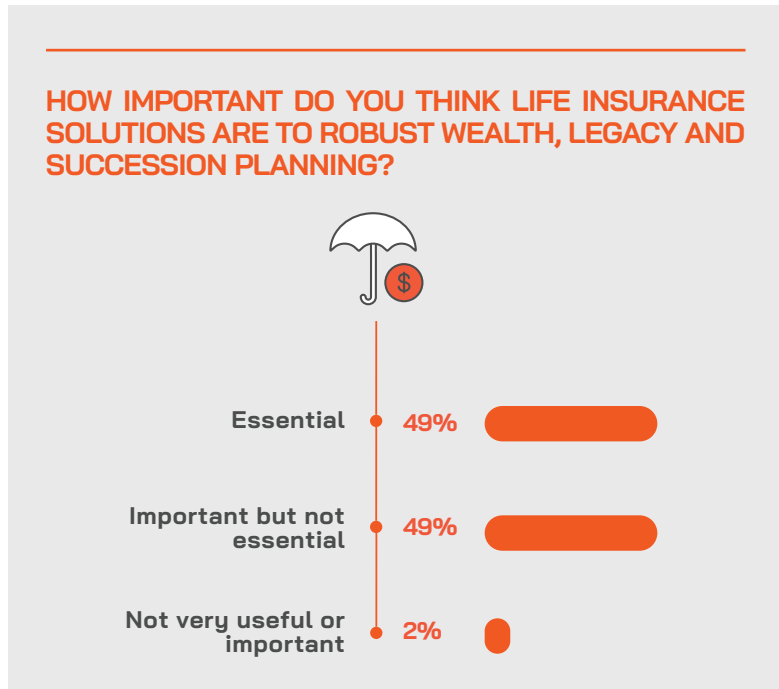
beginning to see more people think about succession planning for their family businesses, and all these issues and taking a more open stance. They want to make sure there is an orderly transition of wealth from one generation to the next.”

Life insurance solutions are increasingly central to the planning proposition

A life insurance expert highlighted the role of life policy solutions in robust planning, including for the ever more mobile wealthier clients and families. “With insurance, this is quite complex as you need to consider not only the insured person who might have multiple jurisdictions, and all the issues around that,” he said. “Accordingly, the brokers work closely with tax advisors and lawyers and other professionals to ensure we find not only the right product and instrument for the client but also assemble the right ecosystem of advisory around those.”

He explained that the clients are getting younger on average, they are increasingly open about these issues, and much savvier than before around the products and applications. Meanwhile, he said that everyone who steps forward increasingly sees life insurance as a quintessential part of the planning discussion.

As to products themselves, he explained that this varies in terms of preference in different regions. He said in the North Asia region, UL was very popular but these days what we call protection products, like UL and whole of life, are not as popular as they used to be, and you actually find income products, savings plans, income claims to



Expert Opinion

SIMON LO, International Chief Executive Officer, Charles Monet Associates

“Liquidity has always been a barrier in private debt investing. However, with structured credit, we are able to provide investments with tenure from 6 to 24 months on the Helicap platform.”

“Philanthropic giving is becoming a popular part of many HNW clients’ life insurance strategy, especially the younger generation of clients. It’s common to see them use a life insurance solution to create the liquidity that is necessary to fund their favourite charities or academic/ cultural institutions or various social initiatives that are close to their hearts.”



Expert Opinion

TIM GEORGE, Partner, Withers Worldwide

“Sometimes the key to starting is just to start. That may sound rather obvious. But all too often the scale of the task at hand can derail a [wealth, estate and legacy planning] project before it ever gets going. So, for example, while a trust may be the perfect solution, perhaps starting with a simple Will or a shareholders’ agreement can be a good interim solution.”



be much more of interest. In the Middle East, it tends to more of the protection products, and the same in Southeast Asia.

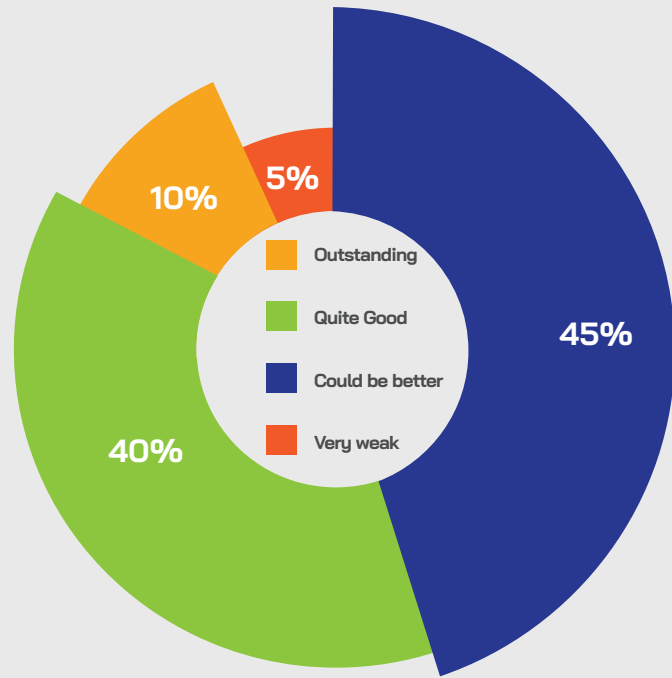
He reported that PPLI, or private placement life insurance, is increasingly of interest as families disperse across more countries, and as tax authorities continually move the goalposts, as for example the treatment in the UK of property held by foreigners.

The trust industry must also work closely with the banks and EAMs, and vice versa to expedite optimal solutions for private clients who also need to be vigilant as to changes in their situations

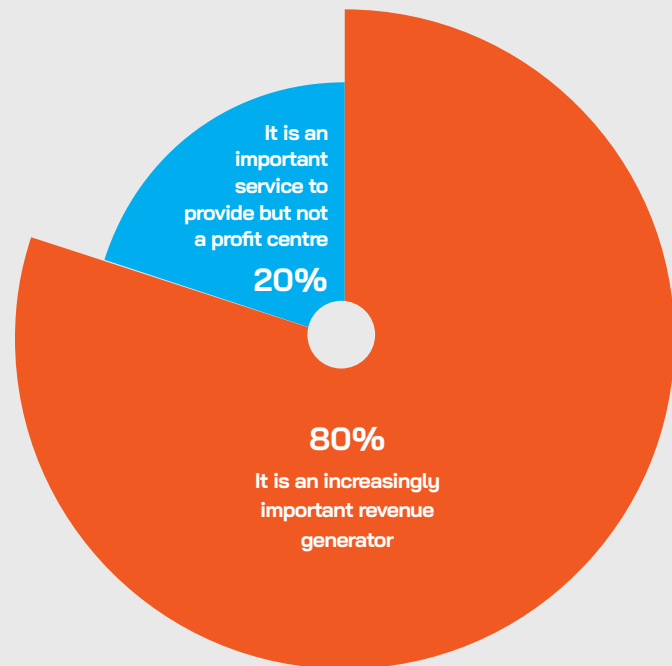
Another expert observed that it was also vitally important for the private banks and EAMs to work with the specialist insurance industry and the trust industry to bring the best solutions and best advice to their clients. He explained that professional relationships and reciprocity should always work to the advantage of these clients, especially when the clients and their family members are multi-jurisdictional.

“It is often really critical to bring in the right advice from these different jurisdictions to ensure that you devise a structure that is effective across multiple jurisdictions, and that you help assemble the right advisors. All those moves will help ensure smarter tax planning and implementation. And then you need to keep on top of them, as things change all the time. “We remind our clients of this all the time and advise them to let us know well in advance of such life-changing moves, just so that we can prepare ourselves and their structures for the upcoming events.”

HOW EFFECTIVE IS THE WEALTH MANAGEMENT INDUSTRY IN ASIA IN REACHING OUT TO THE NEXT GENERATIONS, BEYOND THE PATRIARCH/FIRST/FOUNDER GENERATION?



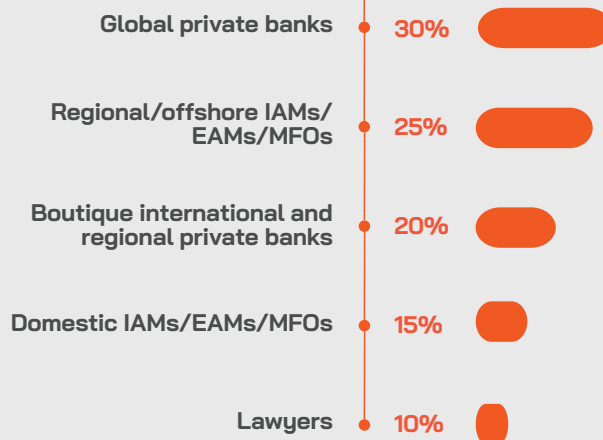
HOW DO YOU THINK THE PRIVATE BANKS AND ADVISORY FIRMS IN ASIA APPROACH WEALTH AND LEGACY PLANNING?



The same expert also observed that not all solutions that are most popular are the best in each case. For example, he observed that the demand for family offices in Singapore had surged, but actually in some cases other solutions such as a discretionary trust is just as good a solution for certain families. He noted another key trend in Singapore is high demand for settlor-directed trusts, whereas he said you hardly ever come across that in Europe and Asia, because clients usually use more discretionary trusts.

He remarked that a major challenge more broadly in Asia is around the private family businesses, some of which are of course very large indeed and perhaps listed. He said that with private or family-controlled companies such a dominant in Asia's economies – far more so than in the US or Europe – there is a constant challenge for founders or the successors around structuring the holding vehicles for these assets and also around their management, which as the older generations pass on so often need injections of new people and thinking. ■

IN YOUR VIEW WHICH BANKS, FIRMS OR ADVISORS ARE ASIA'S PRIVATE CLIENTS WORKING WITH TO ACHIEVE THEIR WEALTH AND LEGACY STRUCTURING?



Expert Opinion

TIM GEORGE, Partner, Withers Worldwide

"There is no doubt that families are increasingly involving the next generation in their wealth planning. But this still isn't always the case. So, where the next generation will be not involved in the actual decision-making process, as advisors we should at least try to ensure that they are reasonably well informed, as it tends to be surprises that trigger disputes. Accordingly, detailed letters of wishes or family constitutions are important, clients should be encouraged to include the next generation in the family council, even if it is only in a non-voting capacity, and so forth."



"Perfection can be the enemy of completion. We would all love the perfectly planned and implemented wealth planning structure, but sometimes you need to focus on what can realistically be achieved. So maybe we will have to make do with a Will rather than a comprehensive shareholders' agreement, perhaps preparing that shareholders' agreement is more realistic than creating a trust, or a trust with an institutional trustee is more achievable than a private trust company, and so on. Something is almost always better than nothing."