

# Women's say in family businesses

Jumbo life policies is one way to ensure some gender equity in terms of wealth planning, Bank of Singapore MD tells **GENEVIEVE CUA**

**A**SIAN societies have taken great strides towards educating and offering opportunities to women. But when it comes to the often emotional issue of wealth succession and distribution, wealth owners may still favour sons over their daughters. Change, however, may well be taking root, particularly as the level of education rises among the younger generation, and family businesses evolve in terms of corporate governance.

On the issue of gender equity in the context of wealth planning, Lee Woon Shiu, Bank of Singapore managing director and head of wealth planning, trust and insurance, says it helps families to think of their capital in an enlarged sense, to cover not just financial but also intellectual and social capital.

"Sometimes there is a lot of bias where financial capital is still in favour of sons. But if you look at an expanded definition of wealth and legacy in terms of the family's capital, we perceive a gradual shift, where there is a more equal distribution of capital to other female family members. . . Asian families are starting to have their social and intellectual capital advised or addressed by women."

Women, for instance, are often in charge of a family's philanthropic efforts. "Capital can be deployed for philanthropy, for charities, or to groom the next generation of leaders. Then you see women play a more important role. . . It has been demonstrated that if a family is active in society, society regards the family as a whole as one they can trust. Then the overall financial gains resonate more; the long-term gains can be entrenched, translating into more active roles for women," he says.

One way to ensure a degree of equity – particularly among families where the business is likely to be passed on to sons – is to tap jumbo life policies. Such policies typically have a death benefit in the millions of dollars. The death benefit, which is triggered when a patriarch or matriarch dies, can be paid out to female beneficiaries by name, or paid to a social foundation that endows the women in the family with a role to decide on causes that benefit society, or to be used to groom the next generation of leaders.

The proceeds can be an enabler for women. "We see more cases where clients want girls to take an active role in formulating the family constitution, sitting on family council. It is through such large policies they can be actively involved, helping to grow long-term wealth. If you have a constitution in place but you have little power you can't do much. To



be empowered (the women) need cash, so the jumbo insurance comes in handy," Mr Lee says.

He cites a Chinese family that has done just that. The family has businesses regionally, and has decided to have the male members focus on the business. "They wanted to explore using the ladies to do philanthro-

py. . . They have a soft spot for education. They are looking into how to fund a foundation to help poor families in Asia. They will use insurance proceeds to fund this objective of using the company name to do good works in societies where they have businesses." In the meantime, the foundation is funded by the business' excess capital.

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– Bank of Singapore managing director  
Lee Woon Shiu (left)

Annie Koh, vice-president of business development and external relations at the Singapore Management University (SMU), says the rules of engagement for women are changing in many family businesses.

The traditional approach of leaving a family's business assets to sons is not just typical of Chinese families, but it also exists in Middle Eastern economies and Indian family businesses, says Prof Koh, who is also the academic director of Business Families Institute@SMU.

"It's not so much that women are not looked after. In fact the wealth is set aside and managed out of a family office or trust fund to ensure that daughters are given the benefits of a privileged life. But the sons who bear the last name of the founder are given the leadership roles in the family business."

She adds that this scenario is changing, although there is little research data to support this. "But observations have seen a trend where family businesses are tapping into all resources in the family. Since all members growing up have shared values, it will be a waste not to tap women talent." Female talent can be tapped for managing finance, for instance, and human capital issues.

Change, in any case, could well be forced on a family. China's one-child policy, for example, means that next-generation successors to a business could be a daughter. Prof Koh points out that Indonesian family businesses have a large number of female directors on the boards of listed companies as the daughters had already taken on leadership positions prior to listing.

Based on a report, *Gender Diversity on Boards* by the Diversity Task Force, women account for just 7.9 per cent of directorships of companies listed on Singapore Exchange compared to 11.6 per cent for Indonesia.

"I have seen patriarchs who are increasingly open to having the daughters take over

– but usually it's because they have no sons, or have more capable daughters than sons. Otherwise, they understand that women have to make the difficult choices of putting their own families first before business, unless the daughter is not married."

A trust vehicle is commonly one way to ensure some degree of equity. It helps to ensure that one's desires for a certain distribution arrangement will be honoured. This is particularly salient if there are circumstances that may warrant a degree of protection for female, or even male, children.

Mr Lee recounts the case of a client who was anxious that his son-in-law should not benefit from family assets such as shares of a listed family business. The trust specifically excluded the son-in-law.

In some cultures which dictate women's inheritance from an estate, a trust may also be relevant. In Islamic countries, for example, where a woman is less favoured in terms of the distribution from an estate, the wealth owner should plan early. Mr Lee says: "There is nothing to stop you from giving assets while you are still alive to daughters."

The wealth owner may also set up a trust domiciled in jurisdictions such as Singapore, where the trust will take precedence over another country's forced heirship rules.

Meanwhile, families may also consider setting up a family constitution and council. This is an avenue through which a family can articulate its mission statement, and is also an avenue by which female family members can take on important roles. Mr Lee says a mission statement spells out what the family believes in. It also lays out a framework for dispute resolution and governance principles.

Prof Koh says: "Family governance principles are also set up early to ensure that all members of the family are involved in family decisions, and there exists a family council to have oversight of family-related issues such as the alignment of the family values to the vision and mission of what the family stands for, and translating this to the running of the business."

"So daughters do have a say within the family council and are indirectly having a say in the business given the alignment of the business to the family's values." [gen@sph.com.sg](mailto:gen@sph.com.sg)