

ROUNDTABLE

Longevity in prosperity

Our panellists give their take on issues and steps towards smooth inter-generational wealth transfer and succession



Inter-generational wealth planning is an issue that increasingly occupies the minds of wealthy Asian families. Clearly the challenge is to ensure the wealth is sustainable and to keep family members engaged. Our experts share their views.

Genevieve Cua: What do you consider the most important issues to tackle when a family is embarking on a plan for inter-generational wealth transfer and succession

Annie Koh: Based on our recent family governance survey published in May 2015, while 68 per cent of the business families surveyed have yet to experience a transition or succession event, 85 per cent do expect one succession to take place within the next five years. Amazingly, only 17 per cent have a succession plan. So the most important issue is to clearly have a vision on whether the family business has candidates in mind to succeed the business – and it is fine if there is no willing or capable family successor.

The vision is important as it implies that the owners of the business can plan for the family to be responsible stewards and shareholders, and identify a strong non-family CEO with a trusted management team leading the business. Once that vision is clear – the next few issues become critical.

The successor should not be thrown into the deep end without help. Succession is not an individual effort – the training and development of the successor or successors should have started from young. Both formal and informal development should be taking place – not just in business-related areas, but also in handling family dynamics, building teams and developing skills to get employees and partners and suppliers to respect and follow the successor.

A transition process begins only after the successor has been named. The process of support and mentorship will still need another five to 10 years for the successor to sit comfortably in the firm and be recognised as a respected and legitimate successor. By then the successor should start making his own succession plan!

How to work with siblings or cousins is not taught in schools and such family dynamics can turn out to be potential areas of conflict. Very often different siblings handle different business lines or markets and they have to meet often to synergise and communicate and understand how to work together as a family firm. Familiness is the secret ingredient of long-lasting family firms. Use that secret sauce well.

Many of Asia's family firms, however, do end up being sold if the next generation family members are not interested in the business. The family can still be in business – but in a new business. There are many such examples around – the Scott family for instance sold their insurance business in the UK and set up a single family office, which has morphed into the Sandaire multi-family office of today.

Lee Woon Shiu: There are two broad types of issues that confront high-net-worth (HNW) families embarking on inter-generational wealth transfer.

The first is wealth protection and preservation of family values, DNA and cohesion. Here are some major points to note.

• **Protection against third parties**

With certain headline-grabbing divorce battles hitting our

shores in Singapore and Malaysia in recent years, claimants are waking up to the new landscape where certain jurisdictions such as London and Hong Kong have respectively acquired reputations as the divorce capitals of the world for marriages in the Commonwealth.

Unhappy spouses of scions of HNW families are angling to have their lawsuits heard in these jurisdictions in the hope of getting an order from a more generous judiciary. It thus becomes crucial that the correct planning with the right legal and professional advice is put in place at a very early stage to ensure that unwanted claimants including creditors of children/grandchildren have no recourse to ring-fence the family jewels.

• **Protection against business risks**

With most HNW families still involved in business enterprises and corporate wealth creation, mitigation of the associated business risks is naturally very much on their minds. Families with business empires spanning multiple jurisdictions will be even more concerned as they need to navigate the legal and regulatory pitfalls of all the countries where their business is run.

• **Preservation of family values, DNA and cohesion**

As patriarchs of HNW families witness the transition of leadership into the second and even third generation, many realise that key values and family harmony, which they often take for granted, may not be entrenched and preserved if governance tools are not firmly established in the first generation. They are often also concerned that a depletion of these key values and episodes of family disputes may lead to a corresponding weakening of the family business. Ensuring the sustainability of stable leadership and a strong family identity for the longevity of the family business thus becomes a key concern for many HNW families.

The second broad issue is succession strategies and options in a dynamic and often multi-jurisdictional family landscape.

• **Who to give, when to give and how much to give**

Most patriarchs of Asian HNW families are often torn between the desire to hold on to their leadership, power and wealth, and the decision to trigger succession strategies for the second and third generations to start getting involved in the family business and receive their share of the family wealth. Discussions on succession strategies often become a taboo topic among next-generation scions who fear losing favour in the eyes of the patriarchs, lest they be construed as opportunistic and power hungry.

• **Impact of foreign tax and legal regimes on increasingly international family members**

In contrast to decades ago when most family members often reside and work in the same country as their parents in the family business, the 21st century Asian HNW family is often characterised by the plurality of the residence, nationality and types of business activities that the scions may be active in. HNW families now have the increasingly challenging task of navigating a complex and diverse network of multi-jurisdiction taxes and laws. Legal and tax pitfalls can significantly reduce the family wealth if the correct framework is not established.

Eric Landolt: As the world's largest wealth manager, UBS has been collaborating with the world's wealthiest families for over 150 years. Based on our experience, succession planning was mostly focused on implementing a wealth-transfer structure, such as a trust, to achieve asset protection and transition between two generations. While wealth structures still play an important role in the overall planning, business families increasingly view succession as much more than passing on wealth. Inter-generational wealth transfer is about continuity: continuity of business, wealth and values.

When it comes to business continuity, two key ques-

THE BUSINESS TIMES' WEALTH ROUNDTABLE

Genevieve Cua, BT Wealth Editor poses questions to wealth experts for their views on planning inter-generational wealth transfer and succession



Annie Koh is Singapore Management University Vice President, Office of Business Development, Professor of Finance (Practice). Dr Koh's research interest is in family office and business as well as investor behaviour. She is Academic Director of SMU's Business Families Institute. In her free time, she loves to read, travel and meet people, and tries to find 30 hours in a day to balance all three.



Lee Woon Shiu is Bank of Singapore Managing Director and Head of Wealth Planning. Woon Shiu has over 18 years' experience in trust structuring and administration for high-net-worth families in Asia-Pacific. Prior to joining ING Asia Private Bank in 2004, he was with Merrill Lynch International Bank. He is an avid marathon runner and art lover who also volunteers as a docent at the Singapore Art Museum and the National Gallery.



Eric Landolt is UBS Executive Director, Head of Family Advisory Asia Pacific. Eric is an expert in advising families on questions relating to family continuity and legacy. As a family office adviser, he also helps entrepreneurs and business families to set up their own family office, with activities ranging from design of green field family office ventures to reviews of existing arrangements. He is a passionate art and antiques collector and is engaged in multiple philanthropic causes.



Anton Wong is BNP Paribas Wealth Management Managing Director, Head of Key Clients Group, Asia. Based in Hong Kong, he leads the development of the bank's key clients strategy and platform in the region. He has a passion for visual and performing arts and is an accomplished music producer.

Also from BNP Paribas Wealth Management: **Brian Kenyon**, Regional Head of Wealth Planning Solutions, Asia

Helene Li, Curator of Next Generation Program, Managing Director and Head of Strategic Planning, Brand & Communications, Asia Pacific