

Why wealth planning is core to wealth management

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TMF
GROUP

PRIVATE CLIENT SERVICES

global reach - local knowledge - tailored solutions



- What is wealth planning
- Why wealth planning matters
- What is the purpose of planning
- Common wealth planning tools
- What if you don't plan
- What if you do plan
- How to implement wealth planning in practice
- What are the challenges to address

What is wealth planning

- Wealth Accumulation Planning
- Retirement Planning
- Estate Planning
- Succession Planning



Why wealth planning matters

Because its your wealth
and: -

- you want to keep it and / or
- you want to control how to give it away

But:
Beware the 4 “Ds”



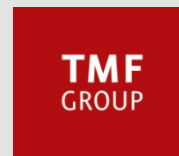
Why wealth planning matters

“4 D’s”

- Debt
- Divorce
- Disability
- Death



Bankruptcy rate statistics (HK)



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Statistics on Compulsory Winding-up and Bankruptcy for the period 1-2002 to 5-2012

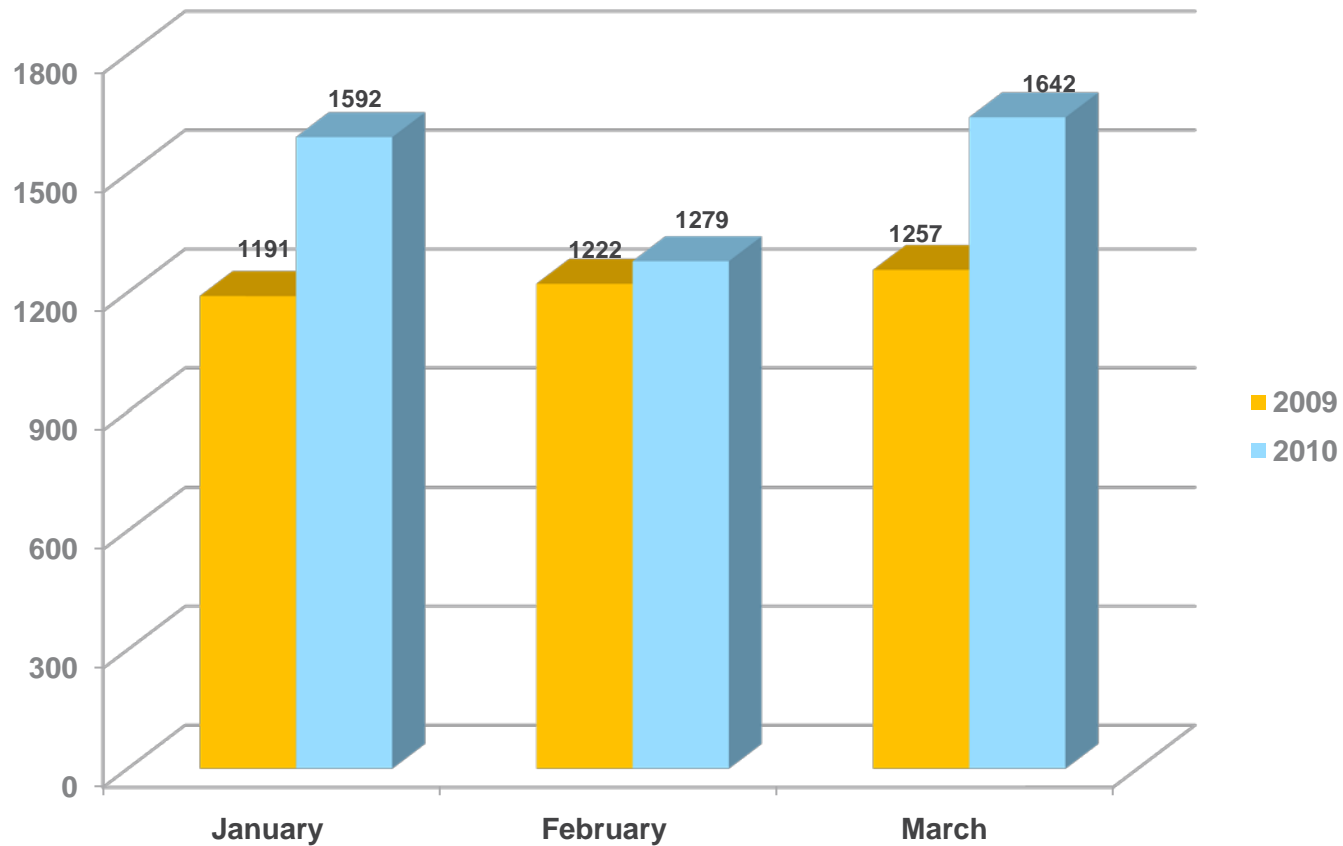
Year	Bankruptcy		Compulsory Winding-up	
	Petitions presented	Receiving/Bankruptcy Orders made(Note 1)	Petitions presented	Winding-up Orders made
2001	11089	2097	13186	7389
2002	26922	25328	1430	1292
2003	22092	24922	1451	1248
2004	12489	13593	1306	1147
2005	9933	9810	955	849
2006	10685	10324	674	552
2007	10918	11063	583	455
2008	11620	10779	624	468
2009	15784	16157	759	573
2010	9102	9163	508	438
2011	8077	7981	425	333

Note 1: Receiving orders were made upon bankruptcy petitions presented before 1 April 1998 and bankruptcy orders, after that date.

Sources : Hong Kong Official Receiver's Office

Bankruptcy rate statistics (MY)

NUMBER OF BANKRUPTCY CASES REGISTERED IN
FIRST QUARTER OF YEAR 2009 AND 2010



Sources : Malaysia Department of Insolvency

Divorce rate statistics (HK)

- Table of marriage and divorce statistics in Hong Kong

Number of Divorces

Year	1986	1991	1996	2001	2006	2008	2009	2010
Divorce decrees	4 257	6 295	9 473	13 425	17 424	17 771	17 002	18 167

Number of Marriages

Year	1986	1991	1996	2001	2006	2008	2009	2010
Marriage	43 280	42 568	37 045	32 825	50 328	47 331	51 175	52 558

Sources : HK Census and Statistics Department

Divorce rate statistics of (MY)



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- The divorce rate in Malaysia among non-Muslims has escalated by 169% from 2009 to 2010.
- National Registration Department statistics showed that 7,900 divorce cases were filed in 2010 compared to 2,938 in 2009.

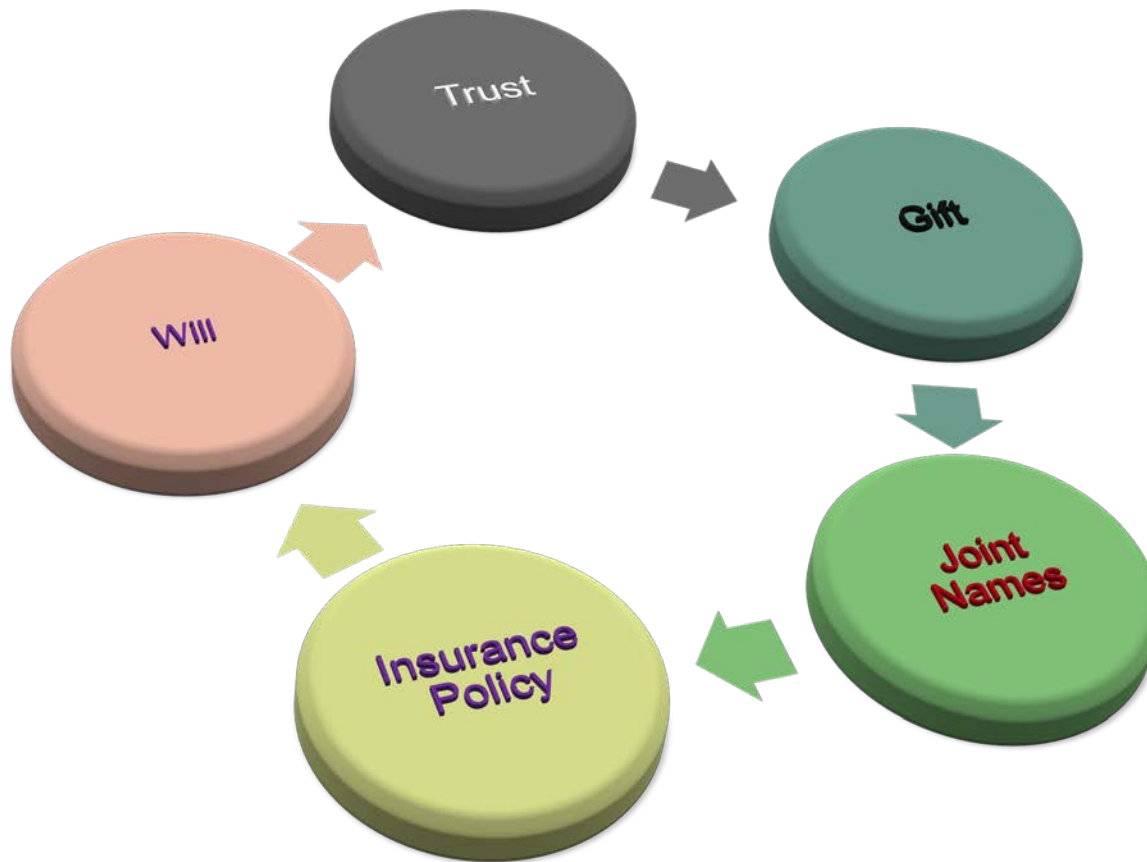
Sources: Article in TheStar Online

What is the purpose of planning

- Puts you in control
- Creates a wealth strategy
 - Wealth preservation / growth
 - Business succession
 - Family wealth succession
- Enables you to control the destiny and use of your wealth



Common wealth planning tools

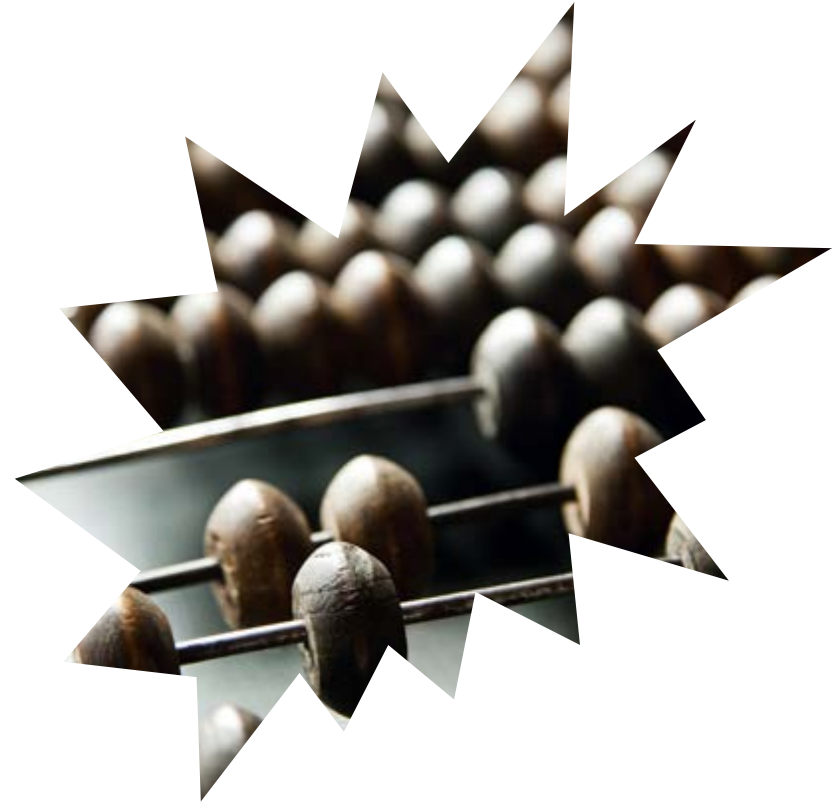
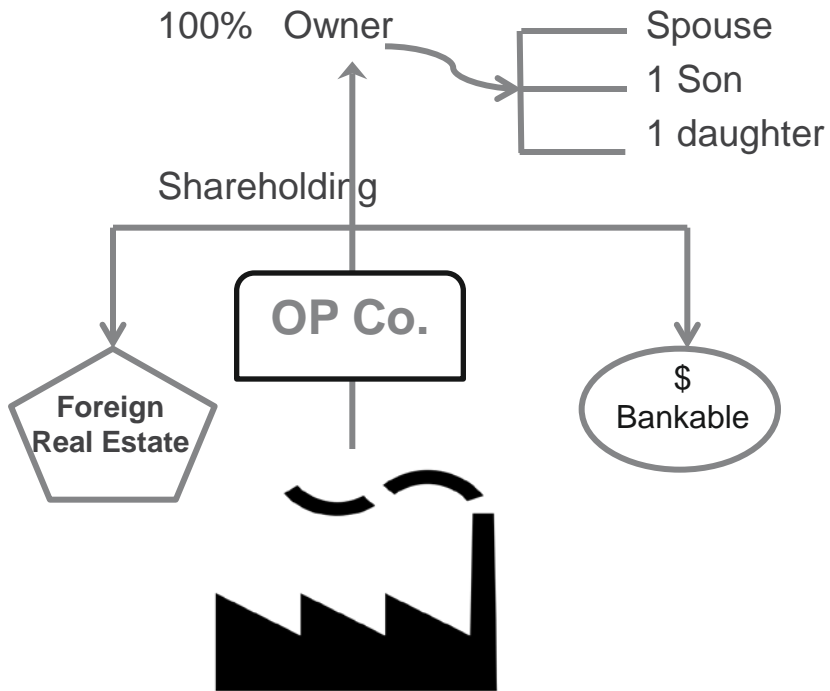


Comparison of wealth planning tools

	Gift	Joint Names	Insurance Policy	Will	Trust
Confidentiality	x	x	x	x	√
Tax planning	x / √	x/√	x / √	x/√	√
Avoidance of probate	√	x	x	x	√
Asset protection	x / √	x	x	x	√
Consolidation of assets	x	x	x	x	√
Continuity	x	x	x	x	√
Platform for wealth management	x	x	x/√	x	√
Efficient succession planning	x / √	x / √	x	x	√

What if you don't plan

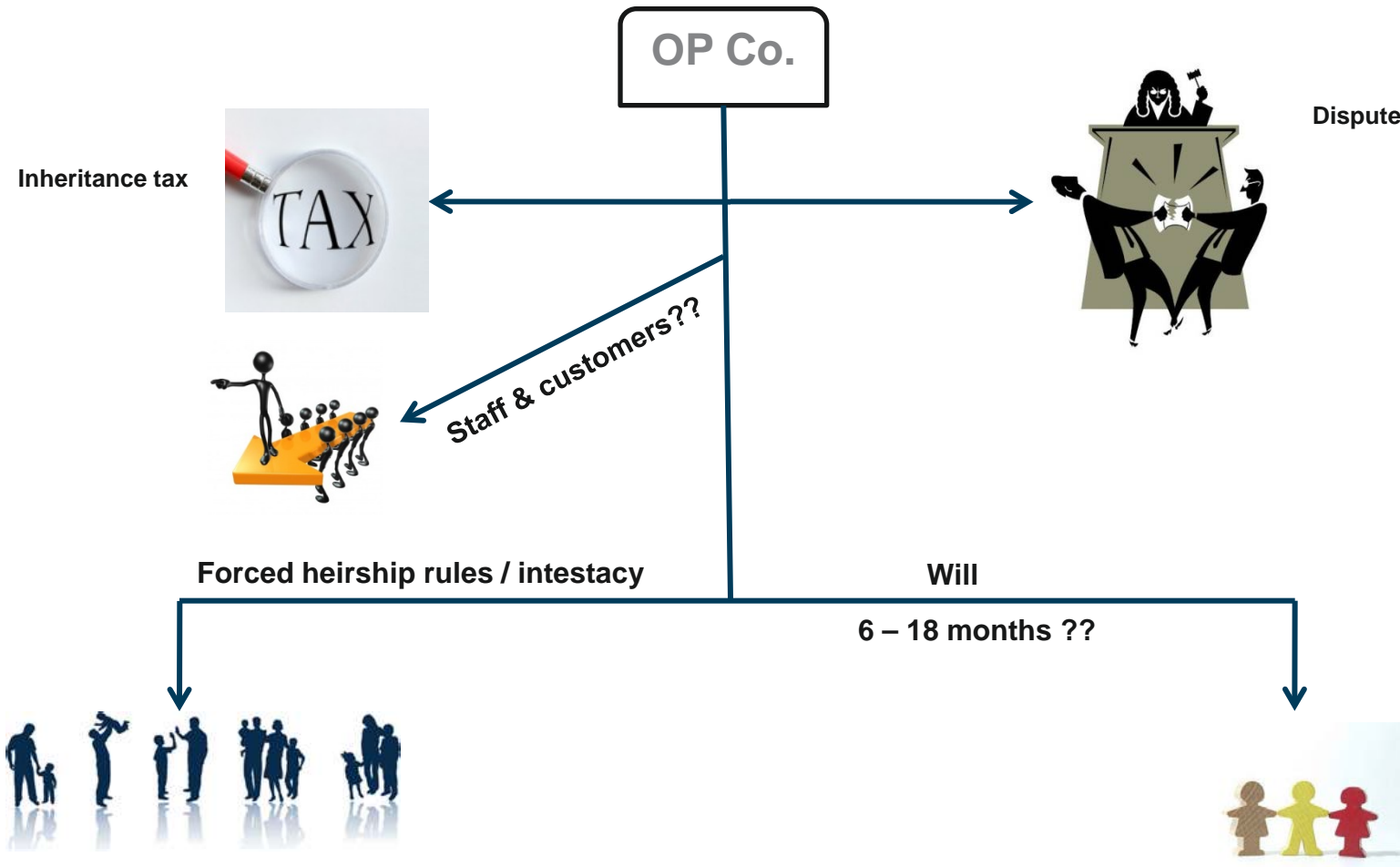
Example: Family Business



What if you don't plan

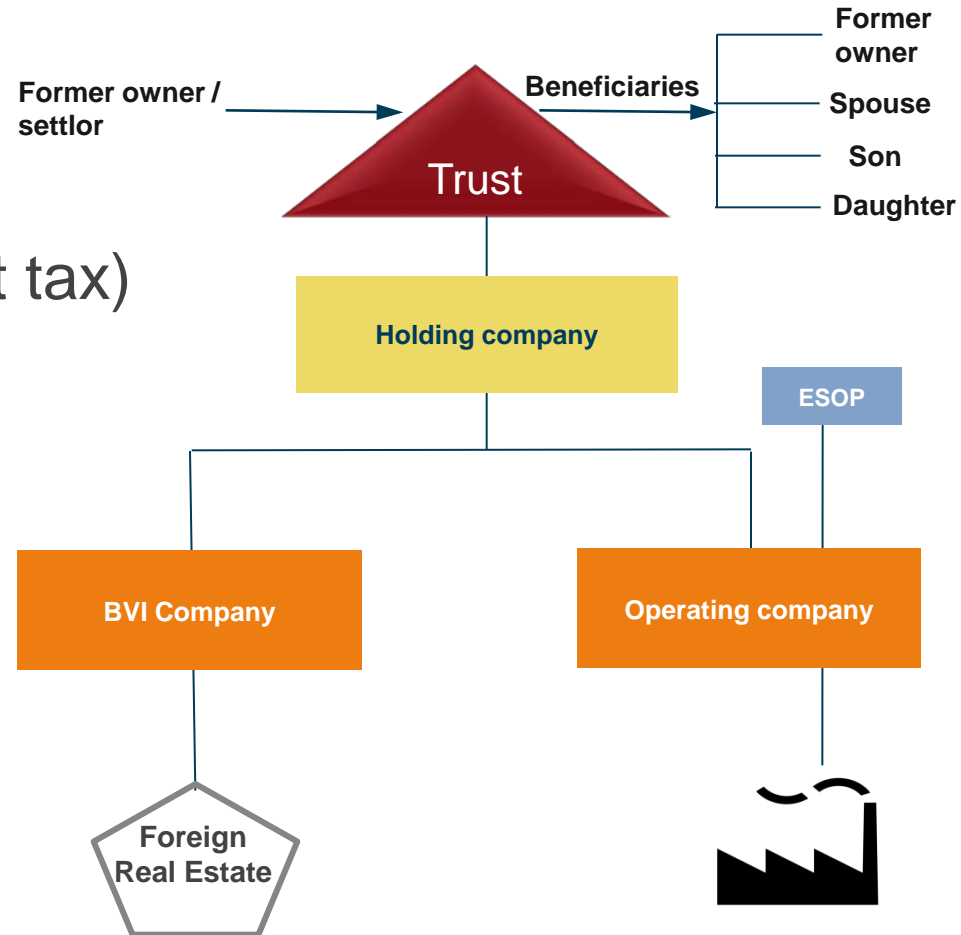
- Ownership passes by applicable forced heirship rules / intestacy (no control) / or by Will (some control on destination)
- Possibility of inheritance tax on value of assets
- May take 6-18 months to get proper authority (Probate / Letter of Admin.) to transfer ownership
- In the meantime :
 - Who is running the business?
 - What is happening to staff and customers?
- When ownership transferred, may have multiple ownership with different views (dispute)

What if you don't plan



What if you do plan

- Consolidates assets
- Creates succession plan
- Avoids inheritance tax (?gift tax)
- Avoids forced heirship
- Avoids probate process



How to implement wealth planning in practice



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- Get tax and wealth planning advice
- Identify all your assets, business ownership, real estate, cash and portfolio investments and bank account, etc
- List out all assets details
- Setup legal holding entity(ies) under your control and management to hold your assets
- Inject the shares of the legal entity(ies) to different wealth planning tools based on your needs

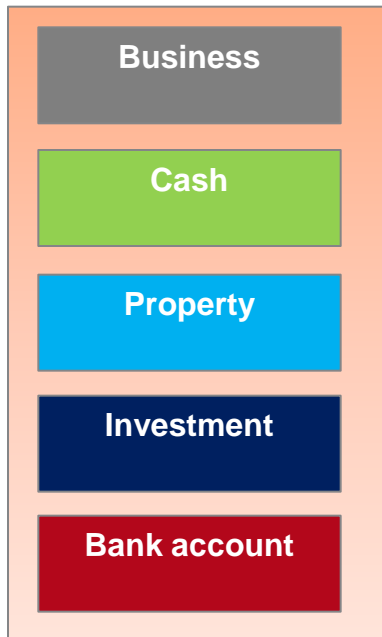


How to implement wealth planning in practice

Wealth Planning Diagram



Your assets



Wealth Planning Tools



Joint Names



What are the challenges to address

Human Nature



Questions

