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# **WEALTH MANAGEMENT WEBINAR SERIES 1:**

## Wealth Management and Succession Planning in Challenging Times

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Wed, 18 Aug | 4.00pm-5.00pm (GMT +8)

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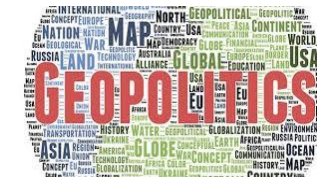


## Wealth Management and Succession Planning in Challenging Times

**Chan Ee Lin**

Director, Family Enterprise Consulting, Deloitte Malaysia

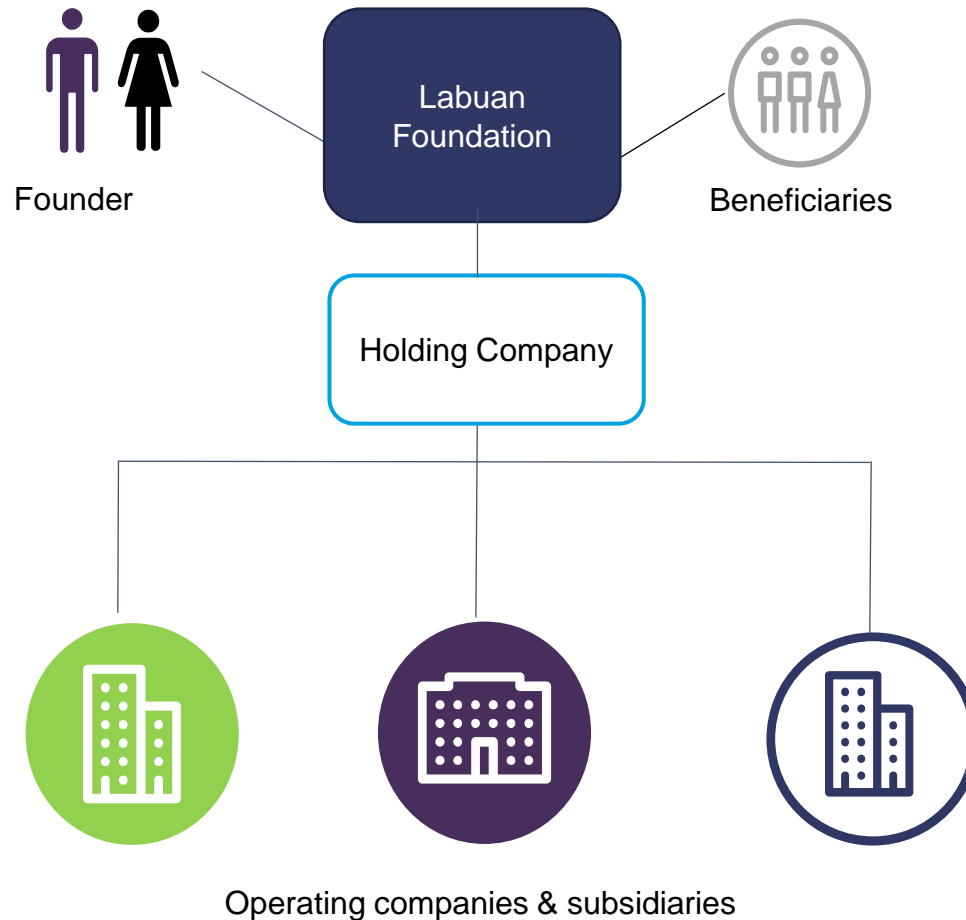
# VUCA, the 7 D's and more...



# Use of Labuan Foundation for Succession Planning

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- Income tax
- ESR
- RPGT
- Stamp duty

- Succession of ownership ✓
- Succession of management and decision-making ? **critical**

## Need for Family Governance

- If family business shares are locked up in structure, family disputes may be prolonged if there is no exit route or method to mitigate family disagreements via conflict resolution mechanisms
- Family Constitution: Documented statement of family's core values, rules, policies and procedures that the family members agree upfront to align their expectations
- Incorporate into Foundation Charter & Articles
- THE JOURNEY IS KEY
- Allows each member to be heard
  - Anticipate and debate issues **calmly in advance**
  - NOT when disputes have erupted
- Avoid feeling that policies are targeted at certain persons
- Establish **fair** processes
- **Intergenerational buy-in** essential for future compliance



# Family Constitution

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- **Mission and vision**

The family's vision and the nature of its commitment to the firm and its continuity are presented in the first article.

- **Values**

The family values that have successfully guided the firm in its relations with customers, employees, suppliers, partners, competitors, and the community are detailed.

- **Family brand**

This article guides family members in its owner-firm visibility, the use of the family name, relations with the government, traditional and social media.

- **Employment policy**

The requirements family members need to meet in order to be considered for employment are enumerated.

- **Next-generation family-member development**

This policy sets out the commitment and procedures guiding the education and professional development of next-generation members.

- **Ownership policy**

Stock ownership, classes of stock, and ownership transfer policies are defined.

- **Dividends and family benefits policy**

This section of the constitution educates and guides shareholders on the expectations for returns on invested capital.

- **Liquidity policy**

This article discusses business valuation, buy-sell agreements in force, redemption funds, if any, and their use in wealth-creating events.

- **The Board of Directors or Advisory Board**

Its make-up, standing, authority, and relation to management, shareholders, and other entities are discussed. Its primary functions and operating procedures are disclosed.

- **Family Board meetings**

Their purpose, primary functions and relation to the board and shareholder meetings are discussed. Membership and its standing and operating procedures are discussed.

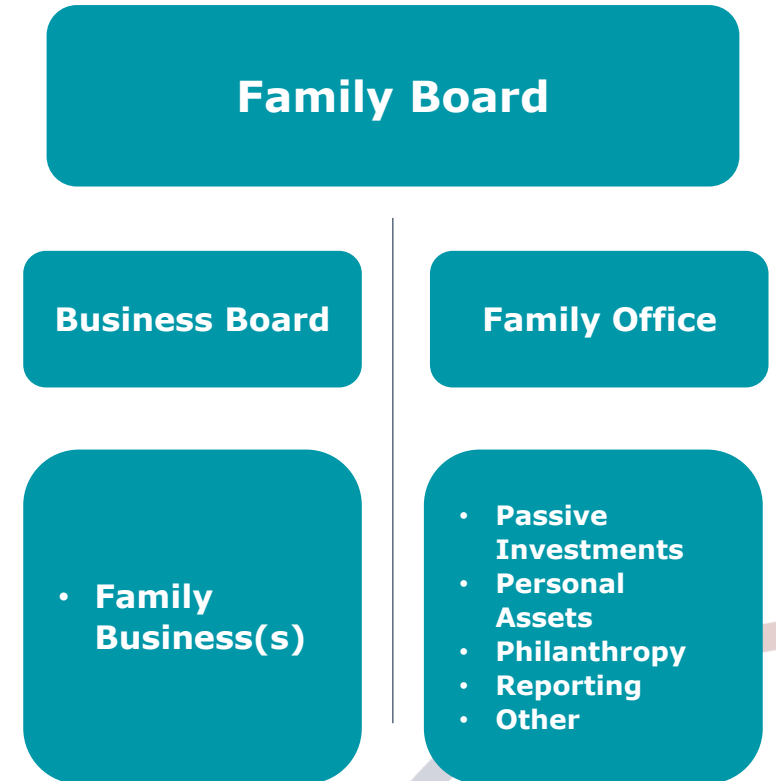
- **Shareholder meetings**

Their role is discussed, as are their authority and legal standing. Their relation to the board and the family council is also discussed.

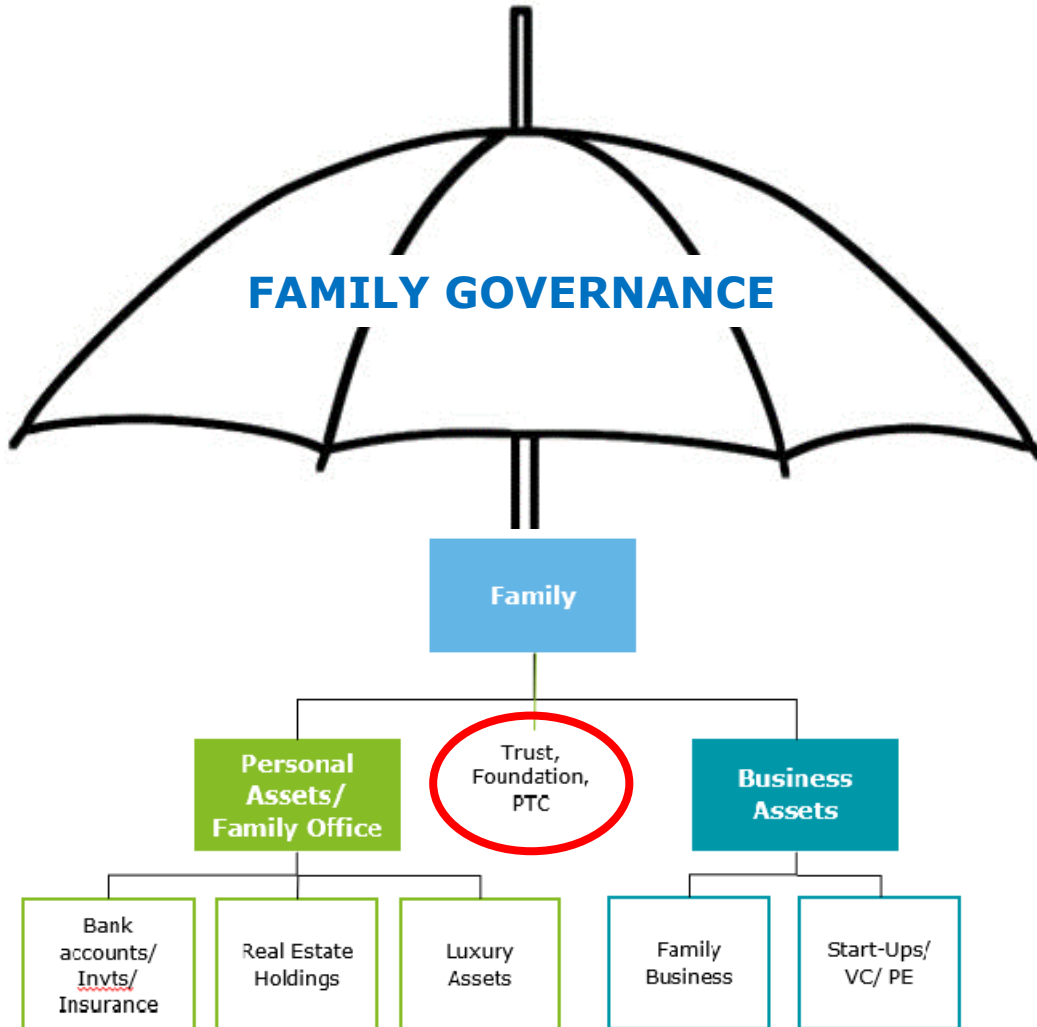
If a family office has already been created, the constitution would also list and define the role of a family office and its relationship to shareholders, the family council, the board, and management of the family's other enterprises.

# Family Board/ Family Council

- Is to family what **Board of Directors** is to company
- **Focuses on family and ownership matters** and determines family policies, e.g. family employment policy, ownership transfer policy
- **Forum for communication between those who work in the business and those who don't** to improve transparency, accountability and harmony
- **Typically same as Foundation Council Members or Officers initially**
- Strategic body planning family's future involvement in the business
- Structured forum for problem-solving and conflict resolution to **discuss concerns regularly**
- With inbuilt mechanism for family members to **practice resolving disagreements** - best when founder is still around
- Typically minimum one **independent director** to act as mediator and/or mentor to next generation



# Family Governance Overarching Legal Structures, Family Business, Family Office



- Rules about how decisions are made within family
- Expectation Management
- Code of Conduct

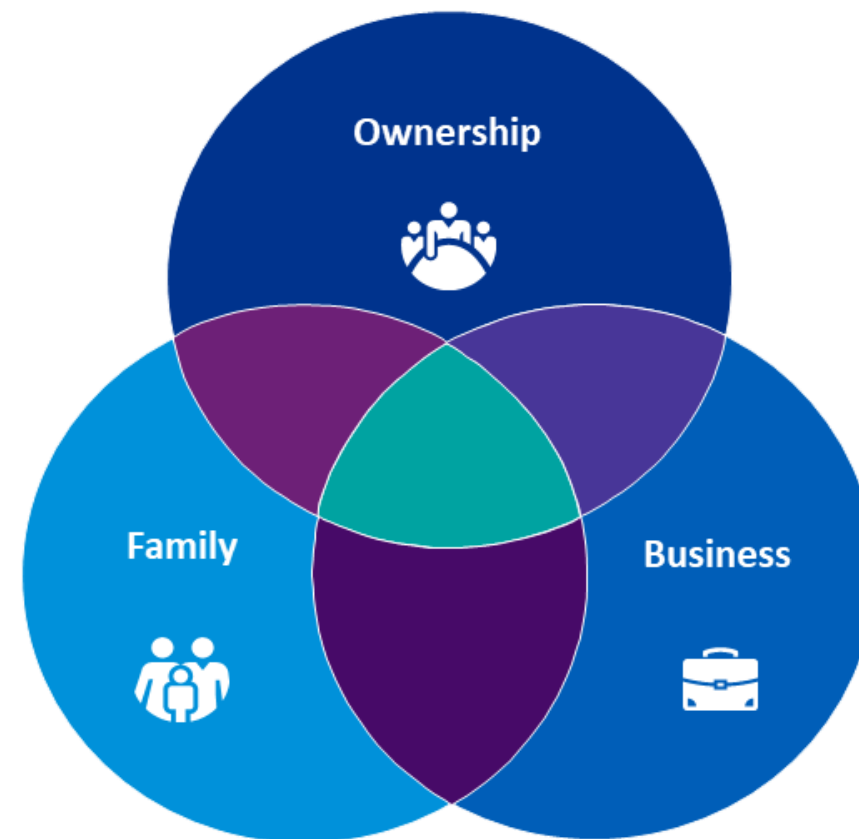
- Establish or restructure Trust/ Foundation/ Family Office/ Private Trust Company
- Tax, Legal aspects
- Align estate planning devices (wills, LPAs)
- Align Shareholder Agreement
- Others – M&A, Corporate Governance etc
- Incorporate key family governance in structure constitutional docs**



# Challenges Business Families Face

- Tension is normal
- Advisor requirements - far beyond technical knowledge
  - **mediate and defuse conflict**
  - find **interest** underlying position
  - develop trust and empathy
  - generate options
  - unbiased, objective – best interest of client
  - go the extra mile
  - collaborative effort
- Every family is different – no one size fits all

- Ownership succession not enough
- Wholistic risk mgt for family
  - how to operationally manage after gen 1
  - help protect family from themselves in future
- For clients who are reluctant... vs doing nothing at all



**Transitions must be managed  
Too important to be left to chance**



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**Thank You**  
**Terima Kasih**

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