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# Private wealth
## Serving your needs

Deloitte Private Wealth is designed specifically to work with individuals like you. This unique focus allows us to develop an understanding of your business, and deliver the personal attention and private wealth management services you need.

# Working with you

High net worth individuals, business owners and family groups face a range of challenges that affect not only the success of the business enterprise, but also the professional and personal goals of their owners. Whatever the end goal — an IPO, expansion into new markets, tax planning, succession to a family member, or sale — responding appropriately to evolving market conditions, new legislation and the potential tax consequences are critical.

**Who we are**

Within Deloitte, we have a specialised team comprising of members from our different service lines dedicated to serving the needs of wealthy individuals, families and private businesses.

In Southeast Asia, our team is constantly growing and led by partners based throughout the Southeast Asia region. The team comprises of professionals with diverse but complimentary professional and cultural backgrounds.

Over the years, we have excelled in dealing with the needs of wealthy individuals, families and business owners who are based in or who have investments in Southeast Asia. Our strong reputation has been earned through our specialisation in the high net worth market and extensive commercial, technical and practical experience.

**Insights**

Drawing upon the knowledge of our professionals, we acknowledge, understand and serve the unique concerns of each of our clients personally.

In addition, as part of a global network, our professionals are able to leverage on the expertise of our member firms worldwide to seamlessly deliver multi-jurisdictional advice that is tailored to our client's needs.

**Our commitment**

Our focus is to serve your needs.

We do this through passion, best practice and insight. We offer an unparalleled combination of focus, breadth of advice, skill and attention. We understand the benefits a trusted business adviser can bring and thus provide to our clients the right advice at the right time to unlock the strength of their businesses and personal financial affairs.

Our services are designed to help grow and protect your wealth into the future and our approach is uncomplicated and personal.

Deloitte Private Wealth is a specialist division within Deloitte that is dedicated to serving the needs of business owners, family groups and high net worth individuals

## Our services

We structure our services to suit our clients' individual needs because we understand that no two clients are the same.

In addition to the traditional accounting and tax services, our professionals provide personalised multi-disciplinary advice and assist our private clients with issues relating to philanthropic activities, access to debt funding, succession planning and services to assist family groups to identify their core values, the aspirations of family members and family dynamics that can often have a significant impact on decision making related to wealth management.

We maintain a high level of discretion and confidentiality in relation to the family groups and individuals we work with.

## Our approach

We adopt a customised, responsive and personal approach to serving private wealth.

This unique approach looks beyond the investor's tax residence and the nature and location of the investment to include an all-embracing range of factors, such as our client's tax objectives, family succession, wealth protection, flexibility, philanthropic needs etc., to ensure a bespoke and holistic solution for our clients.

# Private family groups

As family businesses develop from their entrepreneurial beginnings, they face unique performance and governance challenges. Generations following the founder, for example, may insist on running the business even though they are not suitable for the role. Also, with increasing numbers of family shareholders, but fewer actively working in the business, commitment towards the business cannot be taken for granted.

To be successful as both the business and the family grow, a family business must meet two challenges: firstly to achieve strong business performance, and secondly to keep the family committed to, and capable of, carrying on as the owner.

The importance of proper governance and business succession is further accentuated in Southeast Asia, where the majority of the family wealth is rooted in businesses and real estate. Proper succession planning sets up a smooth transition between the family owner, business owner, and the future owners of the business ensuring business continuity, tax savings and family unity and maximising value for relevant stakeholders.

The issues set out in the table below, although not exhaustive, should be considered by private family groups for alignment of family and business values.

| Issue | For the family to consider |
|---|---|
| Personal and business vision, goals and attributes | • Personal goal alignment<br>• Vision for the future – the business and your role<br>• Equality amongst family members – past, present and future |
| Governance, roles and responsibilities | • Formalising roles and responsibilities<br>• Set up and operations of the board<br>• Need for independent directors<br>• Establishing decision making procedures<br>• Consequences for family members not operating in the best interests of the business<br>• Allowing spouses to work in the business |
| Family strategy | • Understanding on an individual basis their desires and aspirations in respect of the business<br>• Implementing a formal decision making process<br>• Creating a harmonious work environment<br>• Establishing communication channels, trust and respect amongst family members<br>• Fallouts with the family over conflicts<br>• Wealth dilution |
| Family employment remuneration | • Based upon the position held in the business at market rates or based on a fixed amount per family member regardless of the role performed<br>• Providing for family members not working in the business |
| Governance | • Set up and operations of the board<br>• Need for independent directors<br>• Establishing decision making procedures |
| Exit strategy | • Exiting the business<br>• Planning ahead – saving for rainy days<br>• Transfer of equity to the next generation |

**Case example**

An Asian family business currently led by the 2nd generation of three brothers (at equal shareholding) considered their options to ascertain continuity and a united family decision making process after succession of shares to the numerous third generation (consisting of 15 persons). Additionally, capital gains mitigation and a simplification of the shareholding structure was intended (at minimal reporting requirements triggered by the changes to avoid public exposure of wealth).

We recommended to establish a top family office vehicle for the decision making process in combination with a family charter defining the decision process and sanction mechanisms. A foundation was to be created to ascertain minimum requirements of family members regarding health, education and living standard. The business structure was streamlined and offshore entities eliminated to save withholding taxes and avoid public exposure. The entire recommendation was then discussed within the family including the different generations.

## Common concerns of private family groups

### Choice versus obligation

Without applying unfair pressure, how does one involve, educate and inspire the next generation to ensure they have a real interest in the business?

Next generation family members value an "open door" but don't like being pressured to go through it. Transparency, honesty and communication are key in building inter-generational relationships. There is a need to maintain a balance between allowing the next generation to plan their futures and continuing the family legacy.

### Succession

In many family businesses, the company founder is both the CEO and the parent of many "family" managers. Often, those roles may become so intertwined that it can be difficult for him or her to retire gracefully, allowing the next generation to take over.

While it may be satisfying for the next generation to learn the ropes of a family business and take on more responsibility over the years, they can become frustrated with the lack of progression and decide to leave, despite their devotion to the business.

Family relationships last a lifetime, but the chief executive's role should not. CEOs should therefore commit to a succession plan, making orderly transition possible and reassure the next generation that advancement is possible.

### Diversification

Diversification is important to businesses that may face severe threats when disruptive technologies enter the marketplace, large competitors move in, or during turbulent economic times. Although family businesses are well known for their ability to react to changing times, diversifying lines of business and expanding products and services can offer additional security when times are tough.

To maintain a successful business over multiple generations, family businesses must embrace innovation and constantly challenge their business models in order to diversify into new products and services.

### Governance

Focusing on succession can often lead one to overlook governance as a way to depersonalise role attributions and build a ground for sustainable and rational decision making within the family. An established governance process can lead to a written or unwritten family charter and will be continuously trigger new discussion opportunities within the family.

### Case example

Two individuals, both Singapore residents, are the shareholders in ZCo, a limited exempt private company incorporated and tax resident in Singapore. ZCo holds subsidiaries and assets in multiple countries in Asia. Upon evaluation, two main issues were identified:

- Assets located in China held by a Singapore intermediate holding company suffered Chinese dividend withholding tax of 10% and were unable to enjoy the reduced tax of 5% under the China-Singapore double tax agreement due to non-compliance of certain conditions.
- Assets located in Indonesia held by a BVI intermediate holding company suffered Indonesian dividend withholding tax of 20%, as no double tax agreements available.

Dividends repatriated via the current structure suffered unnecessary taxation and could potentially attract controlled foreign company rules. The intermediate holding companies do not enjoy double tax agreement protection. Furthermore, there is no proper planning/strategy to address succession issues and establish ring-fencing of assets.

After investigation, it was proposed that a trust/foundation combined with a substantial holding company structure should hold the assets in China and Indonesia allowing tax optimisation for repatriation purposes, application of relevant double tax agreements, ring-fencing of assets, and succession flexibility. To assist in the process, a decision matrix was built based on the client's desired objectives.

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