

THE CUSTODIAN

ESTATE PLANNING AND WEALTH SUCCESSION NEWSLETTER

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Lee Chiwi
Chairman
Estate Planning Practitioners Limited (EPPL)

Chairman message

At the blink of an eye, we are already in mid-2021. At the time of writing, residential property prices in Singapore reached new record highs! But the value of Bitcoin had taken a 50% dive! Yet new investors may see opportunities in a rebound. Everything in this world is fast changing and we cannot afford to keep our eyes off the ball!

While some of us may be pre-occupied with investments, many are reeling from some form of fatigue caused by the Covid-19 resurgence. We are all missing out on our usual social activities that we have taken for granted. A consequence of observing social distancing have resulted in more time pondering about 'What-ifs'. A sudden spike in cases can emerge from a new Covid-19 variant and affect a close relative or friend. Who will be next? Hence, many people are realizing the urgency to put an estate plan in place as the unexpected can happen anytime. The last thing anyone would want is to have their loved ones clash among themselves over assets due to ambiguity of distribution plans. For families who choose to take an extra step beyond Wills, setting up Trusts can see to their loved ones benefiting from staggered or conditional distributions made only upon achieving certain milestones in their lives.

The continuing education and awareness of wealth distribution solutions will spur inheritance and estate planning. Some aspects that have taken centre-stage include the need for asset protection in the event of potential bankruptcy, failing marriage and elder vulnerability to scams. EPPL has as its objective to boost the capability of the industry through training and other educational resources.

This issue of Custodian will touch on how business owners can benefit from legal solutions with trust and estate planning as well as what British expatriates need to look out for such as hefty inheritance taxes.

The pandemic has thrown up uncertainties on many fronts and people take comfort and the peace of mind with putting their estate planning in order. As usual, we welcome any feedback or any suggestions. We wish everyone well. Stay safe and connected with us.





BOOK REVIEW ON

PreceptsGroup Succession and Trusts in Wealth Management (4th Edition)

by Lee Chiwi

This new edition, as with its predecessor editions, is one of the most essential guides for the financial advisory, banking and wealth management industry practitioners to acquire the holistic understanding on topics in Wills, Estate Planning and Trusts. In this edition, you will find new content such as the Succession of Digital Assets, Structuring of Family Offices and the Variable Capital Company in Singapore. The author has also added more illustrations and examples to help explain the nuances of the legal issues and concepts that need to be grappled with.

Core of the book

For those new to this guide, the book covers essential elements of a person's Will, why they should do estate planning, the various instruments that can be used for estate planning, the effect of joint accounts, joint tenancy properties, Wills and Trusts. One can learn the implications of the lack or poor estate planning through the various case studies.

The book is also adequate for a lay person's reading and understanding. One could also dive into independent chapters, pick a topic of interest and start digesting the relevant information they need at hand. In this manner, it is a useful guide for quick reference for wealth management practitioners who may only encounter such issues on an ad-hoc basis.

New chapter on Digital Assets

The author covers the potential issues in distribution of a person's digital assets which definition continues to evolve. Digital assets pose a challenge for the Courts to rule on such distributions if it ever comes to any form of dispute. One of the expected challenges is the transient nature of the asset and where one cannot really pin which jurisdiction the assets reside in.

The other challenge is in determining ownership and rights of the digital assets since possessing the access itself is already akin to the person having access to the cash. With increasing investments in cryptocurrencies, one will also ask what happens to his cryptocurrencies upon demise. Will the

cryptocurrency exchange recognise that the owner had passed on or do they only recognise the holder of the cryptocurrency wallet's details?

The other upcoming issue is how one should handle his social media accounts. In particular, the growing army of digital influencers use their social media accounts as a business platform, while the general users may want their loved ones to continue to have access upon their demise. The author describes as a solution, for the definition and role of a digital facilitator to be appointed to handle such accounts. The book explains whether the executor and trustee of a Will has a role in handling digital assets of the deceased. It illustrates possible planning and administrative approaches that one can adopt to address the above issues in the client's estate plan.

Latest trends on Family Offices

The concept of family offices is expanded and introduced in detail over several chapters. With the growing trend in the number of family offices in Singapore, this edition provides the understanding and reference on family office structures and what to look out for in setting up a family office.

While these terms are currently buzzwords, he clarifies the kind of clients that could benefit from having family offices.

The book is a very handy reference guide to develop one's understanding with comparison tables, diagrams and clear explanations. Wealth management practitioners or financial advisors can quickly grasp the explanations covered in the book and give preliminary information to the clients without the need to dig deep into complex tax statutes.

Understanding Trusts

A very comprehensive coverage is given to the various types of Trusts and to appreciate the importance of using Trusts as part of legacy planning. Despite the growing affluence of the Singapore population, many advisors continue to either mistakenly or wrongly perceive that Trusts are meant for High Net Worth or Ultra High Net Worth clients. These myths are debunked and clarified in various chapters.

The wealth accumulated by most Singapore families can be more effectively and thoughtfully distributed via Trusts. Unfortunately, for the lack of understanding, there are many cases depicting the squandering of wealth and which articles are rampant in social media news.

The new scourge on the block is the explosive growth of scams that has caused a great deal of loss of assets by Singaporeans (it grew 65% in a single year from 2019 to more than \$200 million in year 2020). Hence, it is timely that financial advisors should acquire knowledge on the aspect of wealth distribution methods that protect wealth of their clients with Asset Protection Trust structures.

With new material in this edition, wealth management professionals, accountants and legal professionals who need to address or highlight estate planning considerations to their clients will find it a most comprehensive and yet readable guide.



Tan Hwee Heng
Head of Department, Marketing
AEPP®, CFP®

The Holistic Approach In Estate Planning

ProviTrust

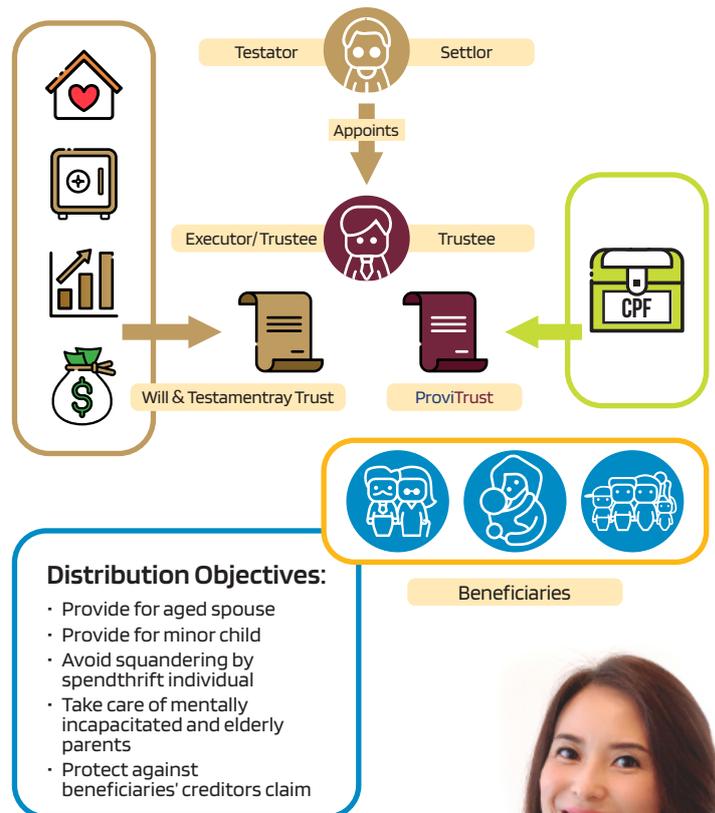
For many Estate and Succession Practitioners (ESPs), the holistic approach in estate planning involves them identifying suitable estate distribution objectives for clients. This includes the proper understanding of each client's unique family circumstances. A properly drafted Will and Testamentary Trust ensures the estate of the deceased will be distributed according to his/ her wishes. This helps to achieve desired objectives for their beneficiaries, through staggered distributions or a later vesting age. It potentially mitigates issues that may arise; such as where the beneficiary is an aged spouse, a minor child, a spendthrift individual, a mentally incapacitated parent, or one facing creditors' claims.

While most assets can be covered in the Will, CPF Savings do not form part of the estate and hence is not covered under a Will. ESPs have faced numerous clients' requests seeking distribution solutions for their CPF savings which they have accumulated over the years. Since CPF savings cannot be willed away, the CPF nomination becomes imperative to ensure that their savings will be transferred to their intended beneficiaries. But there are limitations with the CPF nomination if there were intentions to achieve the same distribution objectives as planned for the rest of the assets under a Will. Under the present scheme, the CPF Board pays a lumpsum which may be untimely because the beneficiaries may receive it when they are financially immature. There is also no protection of the lumpsum payout from creditors should any of the nominees face creditor action.

With ProviTrust, launched by EPPL Digital, it now provides the option for CPF account holders to make a nomination to a trustee, and this allows flexible distribution, such as setting a later vesting age for the beneficiary to receive the nominated sum or for payments to be given in a staggered manner over certain periods. In addition, a trustee can exercise discretion to hold back the distribution when there are threats from the beneficiary's creditors.

The CPF account holder gets to appoint someone trustworthy and accountable. For example, the person appointed to act as the executor and trustee of his will could also act as the trustee for the ProviTrust. The appointed executor and trustee will not only distribute the estate according to his wishes but also follow the instructions to hold the CPF Savings in trust for the benefit of the beneficiaries.

With ProviTrust, the holistic approach in estate planning can truly be now realized!



Ooi Sen Tee
 Relationship Manager
 Precepts Trustee Ltd (PTL)/
 Estate Planning Practitioners Limited (EPPL)



Lawyers, Precepts And Our Roles

After working in this field for so many years, one of the most frequent questions that had been posed to me is whether lawyers are our competitors? On the contrary, the lawyer in practice is very much part of our business eco-system. Many lawyers are our close working partners and there is mutual respect. Many of us at Precepts have legal backgrounds or were legal practitioners in the past.

To illustrate the connection, we frequently receive referrals from lawyers for Will writing, custody, Trust businesses and executor appointments. On the other hand, we have also appointed numerous lawyers to represent us in many applications for Grant of Representation, attending to conveyancing matters, acting as our counsel in litigation, preparation of documents such as Business Transfers and Family Agreements etc.

Precepts is a one-stop service for estate planning. First, we provide Will writing services. The drafting of the Will clauses stem from our varied experiences in real cases and in handling more than 12,000 Will assignments covering practically all kinds of scenarios that could be imagined! In this regard, the testimony to the robustness of our system is that to date, all our Wills that are probated in the courts have all been validated.

Secondly, in handling Wills business day in and out, we understand all aspects of the legal intricacies involved in Will making. We recall one situation when the Will, which was not prepared by Precepts, had omitted the appointment of the executor. As an afterthought, the name of the executor was handwritten by the testator into the Will after the signatures of the testator and her two witnesses. The question then begs whether the Will was still valid! The beneficiaries were indeed anxious when they came to see us.

In fact, this Will was still a valid Will, but there was a failure of executor appointment. Thus, the beneficiaries had to apply for Letters of Administration with Will Annexed instead of the usual Grant of Probate. This process took a longer time and was therefore more costly but the beneficiaries were much relieved in having approached us to seek assistance.

Besides Will writing, Precepts can be appointed as the executor/ administrator for estate administration. There was another case where the client appointed us as the substitute executor for the Will. Some family members who were not the beneficiaries named in the Will took steps to challenge the validity of the Will. The main executor renounced his rights as the executor under duress from his other family members. Precepts, as the



substitute executor took over the role of the main executor. Subsequently, we were able to obtain the Grant of Probate.

In another case where Precepts was not appointed as the executor for the Will, both the main and the substitute executors renounced their rights as the executors after they were threatened by a family member. However, Precepts could not intervene because we were not appointed as the executor. Hence, it is important to choose a right person or even a Trust Company to act as your executor so that your wishes can be carried out and fulfilled on your demise.

Trusteeship is also one of our core areas of business. If you want to delay any distributions to your beneficiary(ies) or if you have any elderly or minor children or a special child to take care of, then you should set up a Trust for their benefit. The next question you should be concerned with is whether your individual trustee is able to administer such a Trust?

In one case, the individual trustee did not open a specific trust account for the Trust fund that she was holding for her sister's children. It was probably because of her lack of understanding of her responsibilities as trustee or simply for her own convenience. Upon the demise of this individual trustee, the Trust payments to her sister's children were disrupted and, the family members of the individual trustee were not able to segregate the said Trust fund from her personal monies because she had never prepared any account statements of the Trust fund. As a result, the children suffered unnecessary

financial stress. This case proves once again that your choice of trustee is of utmost importance to ensure the continuity of the trust funds for your loved ones.

Another area of our key services is the Custody of Wills. We have encountered many people who cannot locate their deceased family member's Will after the member's demise or they cannot locate the details of the assets left behind by their deceased family member. Hence, Precepts can help by keeping your original Will as well as to maintain confidentiality of your Will until your demise. Upon your passing, the original Will is then released to the main executor(s) as named in your Will. Meanwhile, our Personal Assets Inventory Booklet (PAIB) is always available for you at no cost, if you have purchased our Lifetime Custody or Exclusive Lifetime Custody, for you to list down your assets details confidentially and have them kept together with your original Will. This PAIB will expedite the estate administration process and ease the burden of your family members in having to locate your assets.



Ooi Li Sun

Head of Department, Precepts Legacy
Wills and Estate Administration



How Can SME Business Owners BENEFIT From Trust And Estate Planning?

John is the founder of a successful start-up, which he spent his entire life developing. His business drew the support of a number of investors, who became minority shareholders in his private limited company. Unfortunately, John fell ill and passed on, leaving his widow Jane as the administrator of his estate and assets.

Jane has no experience with her late husband's business and wishes to sell the shares belonging to John. The investors do not have enough funds or desire to buy over the shares. On the other hand, since the company is a private limited company, Jane is unable to sell the shares on the open market. The business of the company suffers badly as a result.

The above story is just one example of the many common problems that small to medium enterprises (SMEs) face.

Most owners of SMEs are often busy running their businesses and do not have time to worry about trust and estate planning. However, this can create difficulties in the future, particularly because of the unpredictability of life and circumstances.

With a small amount of careful planning on trust and estate matters, many of these difficulties can be avoided.

From our experience working with clients, here are some effective ways to protect your business and your family:

1 Keyman insurance policies

In a situation where a key person dies, becomes disabled or retires, the business may have a sudden cashflow problem without the income brought in by that person, and may not be able to pay the monies to the key person's family members and dependents.

Keyman insurance policies provide insurance against the loss of key personnel in an organisation or company. These may include a director, chief executive officer or key employee. The money is normally paid to the business upon the loss of the key personnel under such a policy.

These can be further structured in ways to maximise tax efficiency, and better allow the business to carry on smoothly without being suddenly stuck with numerous liabilities when the key person is lost.

Premiums from keyman insurance policies can be paid from the company funds. Furthermore, the protection of such policies can be maximised by having the partners within the company to hold the policy in trust for one another, which we will elaborate upon next.

2 Trust agreements between partners

A Trust is a legal instrument where one person (the “trustee”) holds and uses property for the benefit of another person (the “beneficiary”). A trustee must act in good faith for the benefit of the beneficiaries. Where there are more than two partners involved, the most efficient method of organising a buy and sell arrangement is for all the partners to transfer the policies to a trustee to hold on trust for the partners. The trustee can be any one of the partners, or the partner’s solicitor or accountant or some other person considered suitable to be a trustee.

A typical Trust agreement of this nature, for example, would make provision for the use of death claim proceeds to finance the buying and selling of a partner’s share in the event of death. The trustee would be obliged to use the insurance payouts to pay the deceased partner’s personal representative for the price of the shares.

On the other hand, a typical agreement also provides for situations if the partner becomes disabled or retires, so that the proceeds or the policies are appropriately transferred in these circumstances.

You may consider fixing the price of the shares that you and other partners consider to be fair, or to put in place a particular mode of calculating the value of the shares.

These would effectively provide for the needs of the key personnel’s family if anything happens to him or her, while allowing the business to continue effectively.

3 Insurance trusts

An insurance trust is set up with a life insurance policy as the asset. The person who is entitled to the proceeds of the policy sets up the Trust so that, in the event of death, trustees hold the money payable under the policy.

The trustees may be subject to various duties, for example, to use the money to support the education of the deceased person’s children, or to pay the money towards various charitable causes. It is also possible to direct the trustees to invest some or all of the money, and then use the proceeds for the purposes laid down under the Trust.

4 Wills: hampering or helping the business?

Preparing a will is always advisable for anyone who is concerned about Trust and estate planning, even if you are not an SME business owner. However, if shares of a private limited company are covered by a Will, this may potentially hamper the running of a business if one is not careful.

This may happen, for example, if the Will requires the shares to be distributed to a majority shareholder’s children, and the children may be unwilling to sell the shares or have different views about the way the company should be run. These may lead to disputes with the existing shareholders and cause a deadlock in the business, affecting everyone negatively in the long run.

On the other hand, with careful planning, a Will could achieve a much better result, by clearly specifying how the shares should be distributed or handled in the event of death.

If you are an SME business owner, you may wish to consult a lawyer and consider how best you should arrange your affairs to better protect your family and business. SME business owners may wish to include various protections for their business in their Wills, such as stating how the payouts under insurance policies should be distributed.

It is often advisable to use more than one of these tools in order to ensure the continuity and sustainability of your business, to protect the interests of yourself and your loved ones both today and in the future.

As no two businesses are the same, you should obtain comprehensive legal advice to consider how your specific needs may be best protected.

By Lie Chin Chin
Managing Director, Characterist LLC



Darius Lee
Associate Director, Characterist LLC



What Should British Expatriates Look Out For In Estate Planning?



Siobhan Smith

Lead Tutor for The College of Will Writing.
The Society of Will Writers, UK

When you pass away you likely want to make sure that the people you leave behind are well provided for and that the assets you have worked hard to accumulate are protected. Having an estate plan is important for everyone, but for British Expats settled in Singapore it is important that comprehensive advice is given to take account of the additional cross-border elements that need to be considered.

Have a Will

Firstly, the key part of any estate plan is to have a carefully drafted Will in place. If an individual dies without a Will in place or their Will is found not to be valid, they are what is known as 'intestate'. For a British expat how, their estate would be distributed under the intestacy laws would depend on their domicile at death and whether the assets were movable (bank accounts, investments, chattels) or immovable (real property). With immovables, the actual location of the property would also affect which law applied to it, as *lex situs* determines that the law of the country that a property sits in applies to it.

The intestacy laws are unlikely to make the provision that a testator wants for their family, and certainly will not offer their assets any ongoing protection. In a worst case, it may also lead to a person receiving a benefit when they wished to exclude them.

How many Wills?

British expats with assets both in Singapore and England & Wales should consider whether multiple Wills would be appropriate. Two Wills are not strictly necessary for a person with assets in both Singapore and England & Wales. A grant of probate issued in Singapore may be resealed for use in England & Wales and vice versa.

That said, a Will in each jurisdiction dealing with their assets separately can greatly speed up the administration process after death. This avoids any complicated 'resealing' procedures with the grant of probate as the executors may take out a separate grant in each jurisdiction. This also means that both parts of the estate can be administered at the same time.

An additional benefit of two Wills is that they are both guaranteed to be written in a form that each local jurisdiction will be familiar with.

Domicile vs Residency

There is no inheritance tax (IHT) levied on a deceased person's estate in Singapore, but a British expat will still need to consider UK IHT if he is considered domiciled in the UK or holds assets there.

In the UK, domicile and residency are treated separately. This means that for UK IHT, a person's domicile is the deciding factor, regardless of their residency. If a person dies domiciled in the UK their worldwide estate will be subject to IHT. Conversely, if a person dies domiciled outside of the UK only their assets within the UK will be subject to IHT.

A British expat may be resident in Singapore but still be actually domiciled or deemed domiciled in the UK. To be deemed domiciled in the UK, a person must have been resident in the UK for 15 of the 20 years before death or have been domiciled in the UK for three years immediately before death.

UK IHT is only charged on the value of the estate in excess of the nil rate band of £325,000. For spouses and civil partners, this nil rate band can be increased to £650,000 provided the first spouse to die did not use their allowance.

Transfers between spouses and civil partners are IHT free where both are domiciled in the UK or outside of the UK. If one spouse is domiciled within the UK and one outside, then additional complications arise for the spouse who is domiciled in the UK. In this situation the spouse exemption is available but it is not unlimited and will be capped at the same value as the nil rate band. The most a UK domiciled spouse may pass to their non-domiciled spouse IHT free is therefore only £650,000.

Since 2017, an additional IHT allowance has existed for residential property known as the residence nil rate band. This additional £175,000 (or £350,000 for spouses) may only be set against a single property and only if it is being inherited by the deceased's lineal descendants. It does not matter where the property is located as long as it is within the scope of UK IHT.

If your estate will be liable to UK IHT, your Will should be carefully drafted to ensure it is tax effective and makes sure the available reliefs and exemptions from IHT are

utilised. Additional IHT planning outside of the Will would also be an important part of the estate plan.

Trust residency

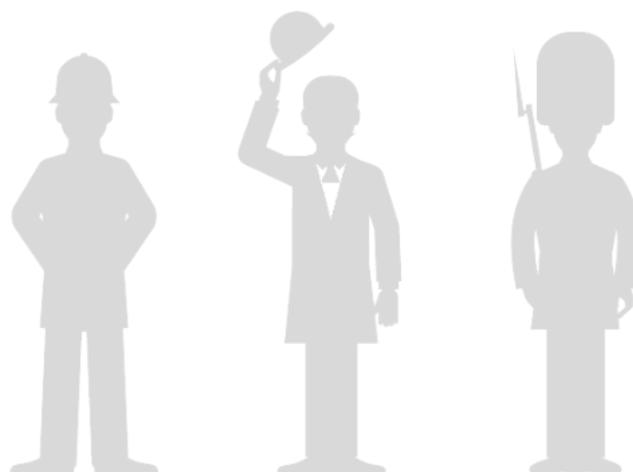
The domicile vs residency argument is also important to the taxation of Trusts for a British expat with UK assets who is intending to use a Trust structure to protect those assets. UK Trusts are subject to their own regime of taxation, and the residency of the trust impacts this. The residence of the trustees is the deciding factor.

If all trustees are residents in the UK, the Trust is considered UK resident. If all trustees are residents outside of the UK, then the Trust is considered non-resident. If there is a mixture of resident and non-resident trustees, then the residence and domicile status of the settlor is considered. The Trust would be UK resident unless the settlor was non-resident and non-domiciled in the UK at the time of death. The residency of the Trust determines whether it is subject to UK income and capital gains tax.

Managing lack of capacity - Power of Attorney

An often overlooked element of an estate plan is preparing for what should happen to assets if the person loses the mental capacity to manage them himself. Having a Lasting Power of Attorney (LPA) for financial affairs in place will help preserve the estate and ensure that an incapacitated person's finances are managed should they ever lose mental capacity.

Both England & Wales and Singapore allow a person to create an LPA though the procedures vary. If a British expat has substantial assets in both jurisdictions, they may wish to consider drawing up a valid LPA in each and to appoint attorneys to manage them.





Estate Planning for Divorcees (part 1)

Lisa Gay (Business Executive, Marketing Department, Precepts) caught up with Ms Lim Kim Hong and Hwee Heng (Head of Marketing Department, Precepts) to understand more about estate planning for divorcees. Ms Kim, fondly known as Kim, has been practising law as an advocate and solicitor since 1988. She runs her own practice, Kim & Co for the last 17 years. Below are some questions during the discussion that are commonly asked by many of Precepts clients.



Lim Kim Hong
 Advocate & Solicitor
 Sole Proprietor
 Kim and Co.

LG: What is the demographic trend for divorces in Singapore currently?

HH: The divorce rate is around 7% per year of the total married residents. There are on average more than 5,000 civil law divorces per year. For marriages, today about 17% of marriages involve a spouse who is into a 2nd or 3rd marriage.

LG: What is the difference between the terms “Custody” and “Guardianship” when it comes to the care for the children for divorcees?

Kim: During a divorce settlement, the judge will make final decision on the care of the children after the divorce between the two parents. Custody is the right to make major decisions for the care of the children. The Judge will award the following to either party:

- **Care and Control** to the parent who will handle the daily affairs of the children.
- **Access** to the party who does not have the daily care and control so that this parent will still be able visit the children on a regular basis in order to build his or her

relationship with them. Examples of Access will be access rights to the children during weekends, public holidays and school holidays.

- **Custody** is where the parents will have the right to make long term decisions for the children. In Singapore, the courts usually award joint custody for both parties as the courts lean towards co-parenting such that both parties should be able to share in the making of long term decisions for the children.
- Hence usually one parent is likely to have the care and control and joint custody, while the other will have access and joint custody.

HH: The term “Guardianship” is used in Wills where the testator (the person making the Will) states his/ her wishes the person or persons who are to take care of the children upon the demise of the parent or both parents.

Kim: The responsibility of the guardians is also to handle the long-term welfare of the children. Usually, the guardians will also handle to the daily care and control of the children.

LG: We usually see cases where divorcees will ask if they can exclude the ex-spouse from the lives of the children for a variety of reasons after their demise.

Kim: Under the law, the surviving parent is the natural guardian for the child. The surviving parent's rights to guardianship cannot be taken away via a Will made by the other party, even if this parent has been given the Care and Control in the divorce settlement. Hence the testator can only appoint a joint guardian to act with the surviving parent. For example, the testator, who is the mother, can appoint a joint guardian (e.g. her sister) in her Will to act with the ex-husband.

LG: Who will the children stay with then? Can they stay with the joint guardian, e.g. sister of the mother, after their mother's demise, while the ex-spouse will remain as having access on weekend basis, just like the divorce settlement?

Kim: If the appointed guardian through the Will is able to work out an arrangement with the deceased's ex-spouse on the daily affairs of the children, then there is no need to seek court guidance and decision. There might be situations where the ex-husband may already have his own family and is ok to maintain the current arrangements as per the divorce settlement. For example, the children are schooling near the sister's place or the ex-spouse has a job that requires extensive travelling (during pre-Covid normal times), hence he is fine to allow the joint guardian (sister) to take care of the children on daily basis.

If it goes to a court decision due to unresolved conflicts, the court will usually hear the children out, if they are old enough, and make decision based on the welfare of the children. These decisions are usually made after more in-depth understanding, possibly through interviews conducted by social workers.

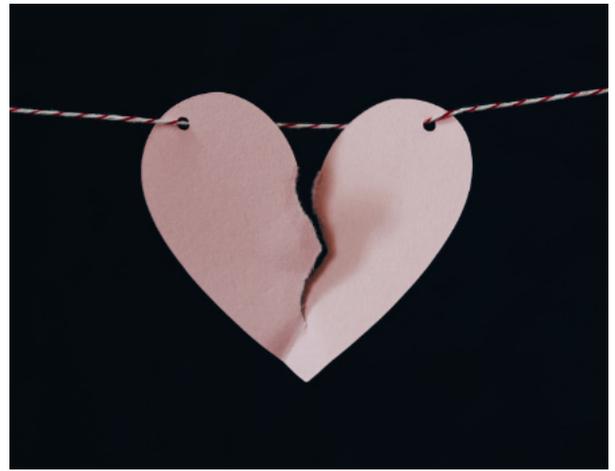
The joint guardian appointed in the Will can still let the surviving spouse take care of the children on a daily basis and just be involved in long term decisions of the children. This is especially so if the surviving spouse has a good relationship with the children and is a good parent. A breakdown in the marriage does not necessarily implies one party is a bad parent.

LG: What if both parents pass away and both parties have a different guardians appointed in their respective Wills?

Kim: The law does provide for such a scenario. The guardians appointed by both the respective parties in their separate Wills will act jointly together.

LG: What other considerations should divorced parents pay attention to with regards to guardianship of the kids?

Kim: The divorcee also should note that the guardians need not necessarily be the trustee in the Will. The role and responsibility of the trustee are quite different. The role of the trustee is to distribute the estate of the testator which shall include what is set aside for the children within his/ her estate, based on the intentions stated in the Will.



For example, the joint guardian appointed in the Will is the sister of the mother, while the trustee for the estate can be the brother of the mother or a professional trustee company like Precepts trustee.

HH: One frequent mistake or misconception is to word the Will such that monies are given to the guardians, instead of the children!

LG: This does not really make sense. Why do testators make such decisions?

HH: Some testators think that in their Wills, they should give the monies to the guardians and then the guardians will do what is necessary for their children. Their concern is that if they give the monies to the children, the ex-spouse will take it away from the children. So, they choose to will their monies to the guardians instead, expecting the guardian to know what to do. There can be risk in this approach. For example, if the guardian passes away, these monies will belong to the guardian's estate. Or the guardian can misuse the monies, become bankrupted or be divorced.

The better way is to have the monies provided for the children in the Will through a testamentary trust. The testamentary trust will be managed by the trustee specifically for the kid's maintenance, education, insurance and holidays expenses.

There should also be a separate provision to provide a token sum for the guardian's thankless task of taking care of the children on behalf of the testator. An annual token sum can be provided to the guardians if they are managing the daily needs of the children.

Sometimes there are challenges when the testator's side of the family do not get along well with the surviving spouse who now has the child's daily care. The divorce may have resulted from the breakdown in trust in the relationship concerning poor financial habits of one party. Hence the trustee must deal with the passing of monies on regular basis meant for the children but in the hands of the ex-spouse who lack financial maturity to handle moneys.

LOOK OUT FOR PART 2 IN OUR NEXT ISSUE.

ESTATE & SUCCESSION PRACTITIONER (ESP)



Sharing with Mr. Xerxes Huang AEPF®

For this issue, we catch up with Mr. Xerxes Huang, one of PreceptsGroup's up and coming ESPs. Xerxes has been one of the top Trust Introducers last year and has advised many clients plan the set up of their Wills and Trust for wealth succession.

1 When did you become a Precepts ESP?

XH: I started my ESP journey with Precepts in 2020.

2 What prompted you to consider a career and business as a Precepts ESP? Why did you choose Estate Planning?

XH: The main motivation is to value add to my clients. Being in the financial services sector for the past 10 years, I have helped numerous clients achieve their protection needs and financial goals. Being part of Precepts allows me to further assist my clients to find the purpose and meaning of wealth accumulation and protection by closing the loop with wealth distribution.

3 What do you think is the difference that Precepts made in your journey?

XH: I have now successfully helped many individuals and families plan for their estates with Precepts and I must say that it is extremely fulfilling in giving my clients the peace of mind. Precepts provide the essential training and support to help me assist my clients in establishing their estate plans effectively. Its Estate Planning, Wills and Trusts training has built my knowledge base to embark on this journey. I've also furthered my knowledge in specialised topics of estate planning in other Advanced modules and attained the AEPF® designation recently.

4 What are some of your core beliefs for Estate Planning?

XH: I believe that an equal distribution helps achieve family harmony. More often than not, estate planning is meant for our loved ones more than for ourselves. I strive to resolve any disputes that may potentially happen in the future upon the demise of any individual. With a well-organized estate plan in place, I believe individuals/ families can achieve family harmony for their descendants in decades to come.

5 What do you think consumers should look out for when they are doing their estate planning to distribute their wealth?

XH: As mentioned, having a good estate plan to ensure family harmony is key. Consumers should ask if there is any scope that could cause future disputes over inheritance. It is important to consider whether they just want to distribute their wealth to the next generation or preserve it for future generations.

6 Xerxes, we understand you regularly help individuals and families set up Trusts. What is the biggest challenge you face when you talk to them?

XH: The biggest challenge is the mindset that only the rich and wealthy should set up trusts. The fact is that anyone who has someone they love or care for, should embark on an Estate Planning process that might encompass the structuring of a Trust.

7 What are some of the principles you use to help them overcome these challenges?

XH: Most people underestimate the value they may leave behind. I help them work out the sources of the total estate such as the value of the insurance policy proceeds, the CPF moneys, the residential properties and other financial assets. When the values are aggregated, they see that a trust to distribute the money would make sense.

8 How long is the normal process to complete a family wealth succession?

XH: 1 to 2 months minimally, provided the clients have a clear direction of their purpose.

9 What do you enjoy most about the business?

XH: Every single estate plan is unique and there is no one size fits all. It is extremely important to tailor the estate plan according to the client's wishes. I enjoy every journey with my clients as each case is an eye opener as we uncover their purposes in estate planning.

10 Tell us more about what motivates you in this business?

XH: Getting satisfaction when clients have a peace of mind as some never knew of the potential issues that may affect their estate portfolios.

11 What do your colleagues and/or family members think about you being an Estate Planner?

XH: My colleagues and family think that this is a noble job that requires one to be highly professional, credible, and creative to think of possible solutions to develop a perfect estate plan. My close ones think that I am trustworthy because I hold all clients' information with high confidentiality. This is because estate planning is a very private matter.