



INTERGENERATIONAL WEALTH TOOLS

FOR SUCCESSFUL FAMILIES AND THEIR ADVISORS

► **ANNE KLEIN**, Founder of Lucia de Klein Private Office

“The hardest thing in the world to understand is the income tax.”
Albert Einstein

The ever-changing and uncertain nature of private wealth and tax advisory

It is estimated that a 5% wealth tax on multimillionaires and billionaires in the G20 countries could generate \$1.5 trillion annually. A taxation system overhaul would significantly impact the private wealth and tax advisory landscape.

Private advisory continues to demand a different set of skills

Fiduciary advisors and tax practitioners must continually upskill themselves to assist families in navigating the global succession challenges for family wealth.

Supporting families effectively means understanding their unique needs and circumstances, including unravelling their definition of family, what wealth means to them, their values and their vision.

With the help of diligent advisors, families can make informed decisions and effectively brief their teams to manage future changes. ►



► **Tax expertise in a global economy**

Wealthy families often require international tax expertise to navigate the complex tax codes. A detailed handrail note for tax is essential for families, trusts, businesses and individuals, mainly when dealing with multiple jurisdictions and complex wealth structures. This can assist in developing quick and long-term investment, succession and tax planning strategies.

➔ **For those practising in the wealth and fiduciary field, here are some points to consider**

Preparing a Family and Business Charter (also known as a 'Family and Business Constitution')

Families can record their values, vision and mission for the Family and Business Charter with expert advisors' aid to safeguard their legacy's generational continuity. Various generational and enterprise families have successfully used family and business charters over many generations.

Furthermore, by capturing formal dispute resolution strategies, future generations are empowered and seated at the table. This approach helps ensure that families can continue to thrive for future generations.

It is more than a balance sheet

Wealthy families have privileges and responsibilities. Managing wealth purposefully and responsibly involves focusing on succession planning, asset diversification, unique investment opportunities, family office arrangements, inter-generational estate planning, philanthropy, business strategies and reporting.

Offshore family members

Advisors should understand the family's reasons for choosing different jurisdictions and be

knowledgeable about various topics, such as tax and fiduciary matters. This will help steer the next generation towards sustainable solutions.

Last Will and Testament

Depending on various factors, clients might have multiple wills when dealing with specific jurisdictions or worldwide assets. The different wills must work harmoniously; one should not override the other.

Compliance is a service

Staying compliant is crucial and the role of the family tax advisor is constantly evolving due to global themes and fear factors.

Encourage intergenerational understanding and communication

Multi-generational families are often admired for their resilience in difficult times. However, as new generations emerge, new and old challenges may arise. These challenges can be attributed to a lack of familiarity and shared experiences among family members. To overcome these challenges, embracing change, fostering an innovation environment and developing sustainable strategies are essential.

Map the stakeholder network

Analysing and mapping the stakeholder network is crucial to comprehend a family's distinct values, missions and visions. A family business may involve various individuals, such as company representatives, CEOs, CIOs, CFOs, shareholders, business owners and professionals like directors, trustees, accountants and lawyers working for the family or the family enterprise.

By analysing the stakeholder and the network of influencers, one gains valuable insights into the complexities and nuances of different dynamics that shape decisions which align or misalign matters but put things in perspective.

The power of influence

Non-family board members, married-ins, extended family members, family council members, leaders, next-generation family members and lawyers or representatives for family members may play a vital role in the stakeholder network and the client engagement journey. Their influence should not be underestimated.

Gatekeepers keep score

Identify the gatekeepers of the family legacy to help uncover gaps in the current landscape, provide a better understanding of the investment and succession philosophy and capture the enterprising spirit needed to keep the legacy alive.

Risk management and uniqueness

Gaining insight into risk management, the types of assets held, and the definition and allocation of assets for succession is crucial. Each family's unique characteristics impact their property and lifestyle management, thus emphasising the importance of tailored services and next-generation education.

Neglecting security risks, including personal and cyber threats, must be explored. Social media risks for families must be addressed, as they significantly impact family dynamics and wealth. It is imperative to analyse the effect of these often-unspoken factors.

Essential tools and knowledge sharing

Managing and safeguarding accounting knowledge, intergenerational knowledge transfer, balance sheet optimisation, deal structuring and financial optimisation are crucial topics for families and advisors. Understanding and managing businesses, corporate structures, family governance structures, legal entities and financial services is vital. Seeking business advice is critical for family-owned companies.

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► **Clients bring skills and insights to advisory businesses**

Families with substantial investments and business expertise are not inexperienced. Most investors who invest millions in a business have already earned millions in that sector. This awareness changes service models and outlooks, customising advisory solutions.

➔ **Here are other strategies to take note of or consider for intergenerational families**

Private Trust Company

A Private Trust Company for a family acts as a gatekeeper for wealth and provides trustee services, ensuring business continuity. It consolidates complex family structures and offers access to critical family decision-makers.

Choosing structures

Choosing the appropriate estate planning structure is essential. Trusts and companies are two common types, each with advantages and disadvantages.

Trustees owe a fiduciary duty to the trust's beneficiaries, ensuring asset protection and ownership planning.

The role of a protector is mainly used in offshore structures

A protector can be appointed to perform certain functions in a trust; it is crucial to comprehend the restrictions and limitations that must be considered. Typically, a protector oversees the trustee's actions and ensures that the legal and ethical aspects of the trust are maintained.

Impact investments

Families might be interested in impact investing, which benefits society and the environment while providing returns. This reflects a shift towards sustainable outcomes across all activities rather than just focusing on philanthropy.

Family philanthropy remains vital, ensuring long-term sustainability for prosperous societies

To create a cohesive philanthropic strategy for a family, one should prioritise open communication, engage in meaningful discussions and incorporate diverse viewpoints aligned with shared values. Consider creating a separate family philanthropy plan or incorporating the philanthropy framework into an existing Family and Business Charter outlining governance principles.

A starter pack for young family members

Some families use strategies to empower and teach the next generation by offering a 'starter pack'. Depending on the family's wishes, the starter pack can create a feeling

of independence and empowerment. The family uses the opportunity to talk about topics relevant to family wealth and succession and tends to observe how the starter pack is treated. This will coincide with an advisory planning session and ongoing discussions.

Junior boards

Younger family members can be encouraged to engage in legacy-building techniques by creating a junior or shadow board or involving them in family philanthropy.

Advisory boards

Families benefit greatly from a diverse and robust advisory board, including family and non-family members. The board can provide valuable insights and advice, with family representatives equipped to oversee family governance-related matters.

Individual support for family members

Some families appoint a specific advisor for family members or units to ensure fairness. The advisor acts as a communication conduit and assists with important decisions and choices. The fundamental relationship plays a critical role in maintaining harmony in the family.

Conclusion

Advising wealthy families is an intricate and highly skilled business. As South Africans continue to globalise their wealth, business interests and families, their advisors must keep up to date with myriad factors, including compliance, reporting, taxation and estate planning.

