The Standard Chartered Private Bank – The Journey

Is Estate Planning Recession Proof?

It does not matter whether economies are growing or contracting because an entrepreneur still needs to decide in what manner to own his business and how to ensure continuity of management and a smooth transfer of ownership after his lifetime.

Whether markets move up or down, the relative attraction of different asset classes is constantly changing. Some of the scenarios could be:

- As an investor, you will always need to hold those assets in the most efficient manner. That need for efficiency may be driven by a desire for confidentiality, mitigation of income and inheritance taxes or simple ease of administration of a broad array of global assets in different jurisdictions and time zones.

- If you are a parent, you will constantly need to monitor the financial security of your children, commencing with basic health, education and maintenance during childhood through to university, career, marriage and ultimately another family generation to support and provide for in the form of grandchildren.

- What if the parent is not always there? In a worst case scenario, should the child's guardian have unfettered access to the child's financial inheritance? It may be preferable for the bulk of a substantial inheritance to be held back until a child is in his or her thirties and likely to be more financially responsible.

A family trust can help to provide solutions to the above dilemmas and many others faced by our clients, no matter what their nationality, place of residence, religion or culture. One client may need a trust simply to ensure a smooth transfer of assets from one generation to the next, another to minimise taxes and another for pre-emigration planning or asset protection.

The great thing about trusts is that their advantages come as a package. The average lifespan of a family trust is approximately thirty years. That is thirty years of constantly changing family circumstances so the client may have initially established the trust to simply avoid time consuming and public probate procedures in the future but be very glad to have legitimately set aside assets from creditors when his business unexpectedly fails or when political or social upheaval befalls his country in later years.

When it comes to asset protection, there has been a discernible increase in concern from clients about protecting family assets in the case of divorce. That is not the breakdown of the client's own marriage but those of his children. Social change has resulted in divorce ending as many as half of modern marriages in the US and a pattern of increasing divorce rates spreading across the globe. The problem can be compounded if a child marries in a community of property jurisdiction such as California.

A trust is the ideal solution to ensure that family assets remain within the family. A daughter, for example, can be a beneficiary of the family trust and the trustee can advance funds to meet her needs and those of the grandchildren whilst keeping the balance of funds safely protected within the trust. In the event of divorce, the husband (or his aggressive lawyer) cannot lay claim to these assets.

A trust may also ensure that a business remains within family ownership and control from one generation to the next. A management committee of selected family members can be established to advise or direct the trustee in relation to the ongoing business whilst allowing all family members as beneficiaries of the trust to economically benefit without necessarily participating in the company's management. A well-tailored trust will also include a mechanism to allow family members to have their beneficial interest bought out by the trust or other family members so that they might pursue other interests without diluting family control of the business itself.

It is often important to create financial liquidity to ensure that all family members are adequately provided for. This is where the use of life insurance as an estate planning tool can be invaluable. A client may wish to pass the business to one child within family custom or because that child displays the necessary business acumen. The client can insure himself and assign the benefit of the policy to the trust. The trustee can then use the insurance proceeds to settle any tax liabilities and have sufficient trust funds to benefit the spouse and other children who will not inherit the business.

The financial crisis and severe recession in 2008/9 has changed the financial and economic landscape. It has added momentum to the demand for greater transparency and financial disclosure. None of this will reduce client's need for wealth structuring but the future will belong to private banks that can offer their clients estate-planning solutions tailored to their individual needs. To find out more about The Standard Chartered Private Bank's Estate Planning solutions, contact your Relationship Manager.

affiliates or subsidiaries accepts any responsibility or liability for any error, opinion or with respect to the accuracy or completeness of the information in it. It is for information purposes only. Unless otherwise specifically stated, all statements are solely SCB's as at the date of this communication and are subject to change without notice.

All rates and figures are for illustrative purposes. Past performance is not indicative of future performance. Any prediction, projection or forecast as to future movements, events or occurrences constitutes an opinion only and is not indicative of actual future movements in rates or prices or actual future events or occurrences.

This document does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any investment strategy, trade securities, or enter into any regulated investment agreement or collective investment scheme. The information in this document is of general nature only and does not take into account the specific investment objectives, financial situation, particular needs or suitability of any particular person or class of persons. Not all investments are suitable for all investors. You should make your own independent evaluation (with the advice of your professional advisers as necessary) with respect to the risks and consequences of any transaction.

The Standard Chartered Private Bank

The Standard Chartered Private Bank is the private banking division of SCB. Private banking activities may be carried out internationally by different SCB legal entities and affiliates according to local regulatory requirements. Not all products and services are provided by all SCB branches, subsidiaries and affiliates. Some of the SCB entities and affiliates only act as representatives of the Standard Chartered Private Bank, and may not be able to offer products and services, or offer advice to clients. They serve as points of contact only.

In Hong Kong, The Standard Chartered Private Bank is the private banking division of Standard Chartered Bank (Hong Kong) Limited.