



The art of estate planning

The role of a multi-family office in preserving wealth and protecting family legacies.



The greatest value of an estate plan is that it empowers an individual to draw a line in the sand at a particular moment in their lives and reconcile what they own and owe and how they want to manage, nurture and distribute their assets after their death. But estate planning is more than just setting up a trust and drafting a will.

"It's listening to what a client wants to happen when they die and structuring their finances and will accordingly. This includes structuring their estate in a way that enables them to achieve their goals while bearing in mind their liquidity needs and tax efficiencies," says Luke Hirst, wealth manager, Private Client Holdings. The *AfrAsia Bank Africa Wealth Report 2021* predicts that total private wealth in Africa will rise by 30% over the next eight years, reaching \$2.6-trillion by 2030, making the multi-family office service a fast-growing wealth management segment in South Africa and Africa.

Multi-family offices are usually privately held companies that handle investment and wealth management for several wealthy families with the goal of effectively growing and transferring wealth across generations. It is also where the personal financial affairs of the owners and related family members (companies and trusts) are overseen and managed.

Private Client Holdings, a multi-family office based in Cape Town, has been managing the wealth of high-net-worth individuals for the last 30 years. Their Trust division specialises in estate planning and developing strategies to preserve a client's wealth and protect a family's legacy for future generations.

Governance

Governance is a critical element of estate planning at Private Client Trust. "It can be very expensive and frustrating to have your entire structure fail because there were no clear 'rules of the game,'" says Sarah Love, fiduciary practitioner, Private Client Trust. When developing their governance plan, Love uses principles from the Organisation for Economic Co-Operation & Development and in a South African context, the King code.

"We incorporate principles of fairness, responsibility and transparency to ensure that the advisor who will work within the structure and with future generations is well-prepared to ensure the long-term wellbeing and responsible stewardship of family wealth," says Love.

Purpose-driven structuring

"When estate planning for families, we start with purpose-driven structuring," says Love. "This entails a deep dive into their world

to understand any current structures as well as the geography of individuals, entities and investments. During this process we look at a client's long-term intentions and goals, the nature of their businesses and investments, where they run their businesses and investments, where they live and how they fund their lifestyle," says Love.

Against this backdrop, Love's team will consider various local and offshore trusts and corporate structures to meet a client's needs. "We do this as administratively and tax efficiently as possible. Not everyone needs a trust, but those that do can't afford not to have one," adds Love.

Managing expectations

At some point during the estate planning process, the next generation must be introduced to the family's generational wealth plan. This timing is unique to each family. "In some cases, there are opportunities within a family business for the next generation, other families have a philosophy that the next generation must work elsewhere before joining a family business, while others believe that the next generation must take care of and/or work on a family property, or part of its philanthropic portfolio to understand the responsibility of the family's stewardship role," says Hirst.

The "art" of estate planning

With family members increasingly scattered across the globe, this can make estate planning more complicated for families. These are some of the complexities that the Private Client Trust team helps clients navigate during the estate planning process:

1. Where does the client currently live and is this likely to change? Do the beneficiaries live in the same or a different country and how will beneficiaries living elsewhere receive their inheritance?
2. Is a trust and/or a company involved? If so, are there loans between the trust and company? How will these be dealt with and what tax and cashflow implications need to be considered?
3. Who are the beneficiaries of life insurance policies, living annuities and other structures? Have beneficiary details been kept up to date or changed when necessary to ensure the right people inherit and to prevent any unintended tax consequences?

Given the complexities of estate planning, especially when multi-generational wealth is involved and where family members are in different geographies, Love advises getting input from a fiduciary specialist. "When a wealth creator dies, we provide support and guidance to ensure the family's wealth grows and is seamlessly transferred to the next generation," concludes Love. ■

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