

## Podcast transcript

### Next Generation Wealth: Leaving a Legacy

**Ann Ling:** Welcome to *HSBC Business Talks, Asia Pacific*. I'm Ann Ling, a Wealth Planner at HSBC Global Private Banking. Today, we are going to talk about succession of wealth. I have two guests joining me, Freda Lim, a private client lawyer, and Muriel Tsang, our Head of Hong Kong Probate Estate, Trust and Fiduciary Service at HSBC Global Private Banking.

**Muriel Tsang:** Hi Freda. Hi, Ann.

**Freda Lim:** Hi Ann. Thanks for having me here.

**Ann Ling:** We all know that wealth is just not limited to financial assets, wealth means different things to different people. This could be your business, your health, family values, or for some people, it means having a happy and harmonious family. We spend our lifetime building wealth, but what, what-what should we do to ensure our wealth, including our assets and values, are being passed to the next generation or our loved ones in a way that is meaningful for them? And how should we plan for our legacy in a way that we want to be remembered by our loved ones or even the world? Muriel, you want go first?

**Muriel Tsang:** Sure. Planning is the key. And, it's never too early to plan. And as Benjamin Franklin said famously, if you fail to plan you are planning to fail.

**Freda Lim:** Yeah. I think Muriel is absolutely right because we plan or, in fact, we need to plan in our day-to-day life. But when it comes to planning for future, I recognize that this type of planning requires more thoughts.

**Ann Ling:** Yeah. It seems that planning for the future is not an easy task, and we should do it as early as possible. But where do we start? Muriel, can you share your views?

**Muriel Tsang:** Communication is the key. So it all starts with a small conversation leading to another one and another one. And, you should have these conversations not just with your neighbour or somebody who's not very familiar with the industry and the field. You should talk to a trusted advisor, and you should talk to your family. Our clients should share their concerns and see whether there are available options out there to assist them. What your experience been, Freda?

**Freda Lim:** Muriel, usually, when the clients, you know, come to us, they look for more serious conversation, you know, like getting a legal advice. So they'll be asking us, you know, what legal instruments or structures, you know, that are available, for them to consider it. In my own experience, usually these clients, you know, roughly know what they want, either they have spoken, you know, or talked to their friends or done their own research. But then I also see clients who literally come in, with his own planning, you know, his own sets of mind. And then after advice, he needs to change his plan because it wasn't, you know, good because it poses a lot of uncertainty, likely to be challenged. So I am a strong believer that the value in any estate planning is that you have to talk through your needs, your concern, your family dynamic, with the advisor.

**Ann Ling:** Yeah. So I hear you, Freda. So am I right to say that this sort of conversations require certain hand holdings?

**Freda Lim:** Yeah, I think so. You know, it's not like normal planning because, you know, one needs to have sufficient understanding of the law. And I think it is really you know, the advisor who is advising the clients' needs to have, you know, to be very willing to listen and give honest and practical advice.

**Muriel Tsang:** Yeah. Freda, absolutely. Honest and open are the keys to, successful succession planning conversations. Clients sometimes are reticent to share their, you know, personal details about their family. Maybe they're embarrassed and it takes time to build trust and relationships. So, but if a client shares with you, is open, and, express their concern, then we can properly address what they need.

**Ann Ling:** Yeah. I agree with you. I think clients sometimes are not too comfortable to share too much information, but actually, the more they share the better their advisors can provide them with the solutions. So ladies, do you think, do you both think that, it's crucial to involve family members at the outset?

**Muriel Tsang:** From my perspective, to the fullest extent possible, you shouldn't include your family members, after all you are doing it for them. Of course, you know, if you only have very young children or they're not an age where they can manage or understand these things, then it doesn't make sense. But, where it is possible, do include them. So, you know, if you take two family scenarios, one where there's no discussion, and, the patriarch just leaves everything to his widow, and, who is the second wife, and the children of the first wife, are working in the family business and the children of the second wife are not, then you're just asking for trouble. In another family situation, we had a patriarch who discussed what his intentions and purposes were with his family all along. He chose a successor, was very open about who he wanted to be, heading the family, organization as time goes on, and, it was somebody that the family could respect. The

transition is so much better and so much smoother.

**Freda Lim:** I think, you know, Muriel, each family is unique, right? I mean, if the family

**Muriel Tsang:** Yeah

**Freda Lim:** All along adopt a very, you know, a liberal approach, for example, you know, they get the kids to partake in their family discussions, you know, allow them to express their views, you know, then I think it's quite natural, you know, to get them, you know, to involve them at the very beginning. But, you know, sometimes we do see families, you know, coming in with a lot of complications, and they have a lot of sensitivity issues, then it may not be that ideal. I mean, it really depends, you know, unless the whole process is carefully considered. I'm not sure whether Muriel or Ann would agree with me, if you have clients who keep changing their minds, I'm not sure whether it's good to involve your client's children too early

**Muriel Tsang:** For sure we have those.

**Freda Lim:** because you'll be giving them false hope, false expectation. I think it will result in more family problems.

**Muriel Tsang:** Yes. I think the family dynamics are definitely, something to be considered as to how you involve your family. But the problematic families, they are really the ones that need this planning the most.

**Ann Ling:** Yes. Yes.

**Freda Lim:** Absolutely.

**Ann Ling:** And in any case, like sometimes communication is always the key as well.

**Muriel Tsang:** Yes.

**Ann Ling:** Yeah.

**Muriel Tsang:** Yes. And if you start that early, before the walls go up, before the fears and the suspicions start to build, you're always gonna be better off.

**Ann Ling:** Yeah. Okay. So in today's planning, do you see any difference, compared to the past 10 years?

**Muriel Tsang:** Yes. For sure. it used to be, it would be the succession of the family business, real property, and standard financial assets, all within the same jurisdiction. But today there is diversity and internationalization. So, and you know, some second gens, they turn their interests into, valuable assets. For example, you know, valuable collections and things like that. And investments are spread out all over the world. And, we have digital assets, Bitcoins, NFTs, and these assets have their own unique, security issues. But there will be a lot more diversification. We also have diversification of family members, you know, traveling abroad, living somewhere else. Second or third gens who no longer participate in their own, the old family business, they start their own business. They have inherited wealth, they have their own self-built wealth, and there are more complications.

**Freda Lim:** Yeah. I mean, for me, my experience is really, Ann, you know, in the past, you know, for the past, I mean, in the past 15 years, I would actually see much older clients, but these days, you know, I see younger clients, you know, who are in their mid-forties, you know, to start their estate planning. It's either because they have accumulated, you know, enough wealth or they have a young family to look after. And in some cases, you know, I think clients these days are, you know, they're aware of a lot of repercussions, you know, if they do not have, planning. So especially if they have personal choices or preferences in life that are not adequately, you know, protected by law, then they know that, you know, by only taking stats, you know, they can ensure that their loved ones are taken care of.

**Ann Ling:** Yeah. I think like it's actually very good to plan early, right? While you still have the capacity and you know what's going on. And the good thing about a plan is it can change all the time. And Muriel, you say it quite well that nowadays with diversification, there are tax issues, there are other legal issues that, clients should talk to their advisors. so what kind of estate planning tools out there to remind our clients, Freda?

**Freda Lim:** Yeah, since this is going to be, you know, it's a very short conversation, I'm just going to summarize. The basic legal instruments, you know, to cover financial affairs would be an enduring power of attorney when one is no longer lucid, and a will, in the event of death. The other instrument, you know concerning healthcare is advance directive. Trust is another type of legal instrument, which has a lot of flexibilities. And also especially, you know, useful for people who are looking for long-term succession planning, tax, and protection purposes. However, I need to emphasise, you know, that the need for everyone to have a will is really unquestionable.

**Ann Ling:** Okay, I got it. So everyone should have their planning as early as possible, and they should, at least, at least have a will in place. So do people need to revisit that planning, Muriel?

**Muriel Tsang:** Absolutely. It is actually essential to review your will and your trust, even if you had set one up a long time ago, and you should do it regularly every three to five years or so. And, upon triggering events, you know, the birth of a child, remarriage, divorce, success or failure of businesses. Succession planning would lose its effectiveness if it is out of date and will not serve the purpose. So review, it's a very important tool, and the conversations will change over time.

**Ann Ling:** Well, we talked so much about like estate planning, and we know that it's so important. Why do you think people are not acting on it promptly?

**Muriel Tsang:** I'll tell you, all the people that you see, that I meet, they have some decisions, hard decisions that they don't want to make, or don't know the answer to. procrastination, they're busy people. They've got things to do, people to see, places to go. They've got, and so, succession planning sometimes goes up onto the bottom of that list. And then, fear of making the wrong decision. But it's not necessary to be afraid because planning is a living tool. You just change it when change comes.

**Ann Ling:** How about Freda?

**Freda Lim:** Yeah, I think so. I think that the two powerful words, you know, for Muriel is, you know, I heard this fear and time. And I really want to take this opportunity to reflect on them. I think it's so important that people realize, you know, the need to mitigate fear because all good thinking and no actions is only empty promise. Right?

**Muriel Tsang:** Yeah.

**Freda Lim:** I think the beauty, you know, of planning for future is that, first, the unhappy events have not happened yet. So you have every opportunity to rewrite your arrangement if circumstances do change. So you're not tying up yourself, you know, forever with no exit. So, and also in legal contexts, you know, the requirement for a person to have a sound mind in planning is a must. So, you know, you need to have the ability to freely make decisions and understand the consequences of such decisions. And it would help minimize any potential challenge. I witnessed a lot of people, you know, who have lost the opportunity to make all these arrangements for your family because of, you know, either is sudden death or accidents or illness, and it's really, really sad. You know, I myself believe that, you know, it's not wealth, you know, that makes happiness, but it's our actions.

**Ann Ling:** I believe the key takeaway of today for our listeners is that life can be quite unpredictable, as we can see from the impact of COVID-19 to many individuals and

families. Therefore, it is absolutely crucial for families to plan early. That's what we have time for today. Thank you. Thank you, ladies.

**Muriel Tsang:** Thank you, Ann. Bye now.

**Freda Lim:** Thanks, Ann. Thanks, Muriel. Bye.

**Ann Ling:** And for those listening, thank you. To hear more from HSBC experts around the Asia Pacific region, simply search and follow *HSBC Business Talks* on Spotify, Apple Podcasts, or Google. We'll be back with the next episodes soon.