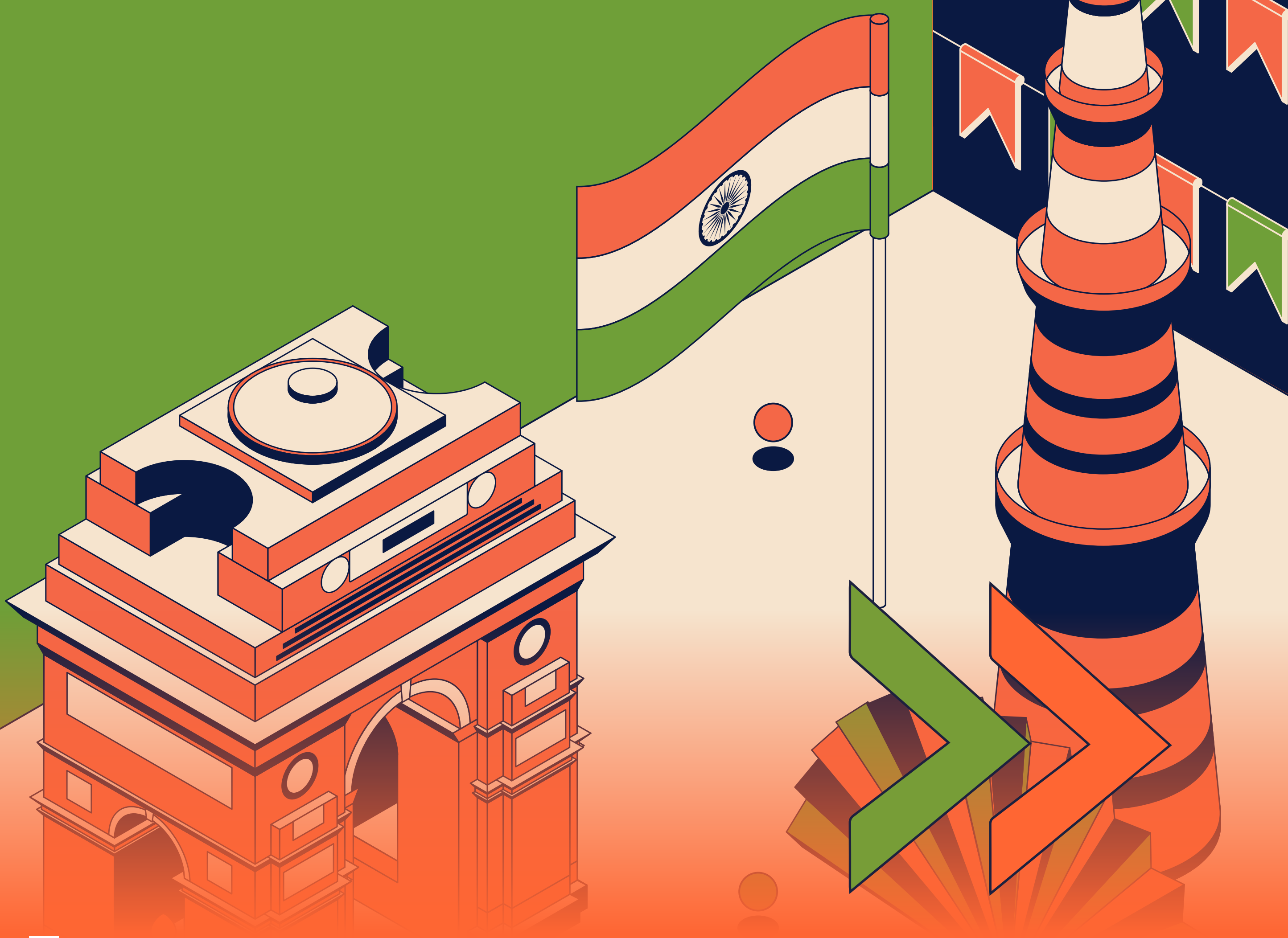
Empowering the Next Generation:

STRATEGIES FOR NAVIGATING WEALTH TRANSFER AND SUCCESSION PLANNING IN INDIA



hubbis

INTRO

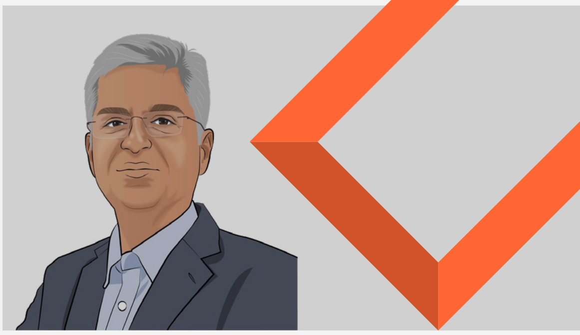
In an era of unprecedented wealth transfer and evolving family dynamics, preparing the next generation for leadership and stewardship is more critical than ever. In this comprehensive discussion, industry experts from leading wealth management firms share their insights on succession planning, family governance, and the strategic role of private wealth advisors in navigating these complex transitions. Discover the opportunities presented by this generational shift and how to ensure a sustainable legacy for your clients in the latest Hubbis report.

HOW WOULD YOU EXPLAIN THIS OPPORTUNITY FOR YOU AND YOUR FIRM? HOW DO YOU INTEND TO EMBRACE AND MONETISE THIS TRANSFER OF WEALTH AND POWER TO THE NEXT GENERATION?

Shweta Shah

HEAD - WEALTH STRUCTURING & ESTATE PLANNING
NUVAMA PRIVATE

There are two aspects to this – 1) the need of the HNI families and 2) people who are best placed to assist them. With regards to the first aspect of the need of the HNI families, we have seen a exponential rise in it, mainly attributed to the increase in wealth generated by the HNIs over a period of time, joint family businesses in India in the transition phase, young entrants in businesses seeking more clarity about management and ownership structure, aspiration of families to diversify wealth geographically, etc. On the second aspect, considering the complexities that a transition of business and wealth may have, firms which are best placed to assist the clients are the ones which understand the pulse of the Indian businesses coupled with having professional approach to advise them on Indian as well as foreign laws and regulations. We, as Nuvama Private, fit well into this as we, being an Indian company understand the needs and culture of the business families and we leverage on our large network of Indian and foreign tax and legal partners to help the clients in the nest possible manner.



Apurva Sahijwani

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

Succession planning and family governance is a critical need for our private client families and at Avendus Wealth Management, we accord very high priority to identify and address this need among our private clients. As business families gear up for globalisation and embrace change, we would like to work with them to ensure the highest level of preparedness for the transfer of wealth to the next generation. We have created an in-house specialist team of domain experts to engage with our clients, understand their succession planning & family governance needs and identify the right solution set for addressing them.

ARE BUSINESS FAMILIES DOING ENOUGH TO PREPARE THE NEXT GENERATION FOR SUCCESSION, OWNERSHIP, AND CONTROL OF THE BUSINESS?

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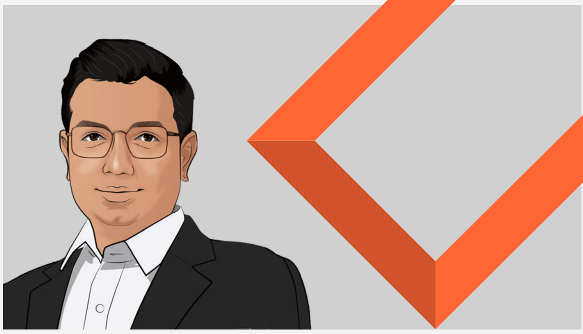


Sagar Maru

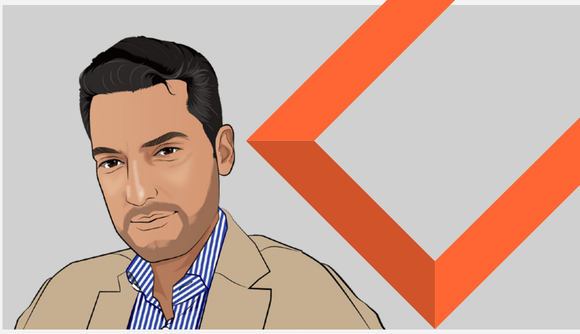
SENIOR ASSOCIATE
AZB & PARTNERS

The question is quite intricate, and answers can vary widely between families. Effective succession planning is crucial for ensuring that a business continues to thrive when current leaders retire.

Many business families have created detailed succession plans that outline the process for transferring leadership and ownership. These plans often include clear timelines, role definitions, and training programs for the next generation. They have invested in the education and development of their successors, mentoring programs, and hands-on experience in various business functions. They have implemented family constitutions, governance structures, and family councils that help in managing dynamics and decision-making, providing a framework for succession planning.

Some families face challenges with succession planning due to poor communication, conflicts, and resistance from older generations who are unwilling to relinquish control.

Successful succession planning demands proactive efforts, transparent communication, and often the assistance of external experts to address the complexities of family dynamics and business requirements. Preparing the next generation involves formalizing the succession process, investing in their growth, and creating a supportive environment to help them transition into their future leadership roles.



Divij Chopra

MANAGING DIRECTOR, HEAD - FAMILY OFFICE & UHNW CLIENTS
WATERFIELD ADVISORS

This is very specific to each family. There are some business families that we work with who are thinking along these lines, and we do see a multi-year-on-year increase in Family Constitution and Estate Planning engagements. The percentage of families, however, who have truly thought along these lines and taken action to put a mechanism in place remains extremely small.

In the public domain, we do read increasingly about some of the largest and most high-profile Indian business houses planning for succession; and this coverage is very important for the industry and business community, as it has triggered more conversations amongst business families and getting their own houses in order.

Whilst this presents a very significant opportunity to wealth, tax, and legal advisory firms there will likely remain bandwidth constraints. To prepare and capture this opportunity, firms need to continuously invest in the right talent, with requisite qualifications and experience.

Sneha Makhija

HEAD OF WEALTH PLANNING
SANCTUM WEALTH

The readiness of business families for succession, ownership, and control varies greatly. Many face significant roadblocks that hinder timely preparation:

Reluctance to Let Go: Older generations often hesitate to relinquish control, delaying the induction of the next generation into succession plans.

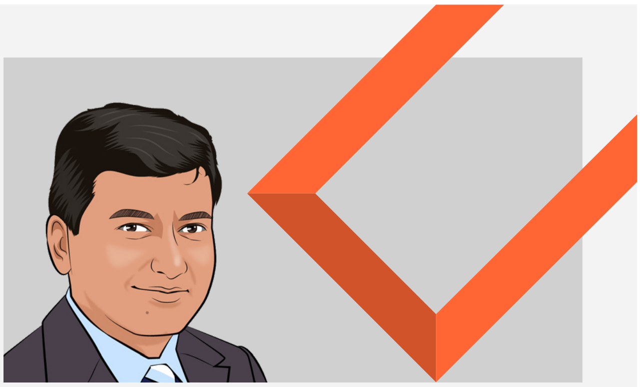
Apprehension: Fear that the next generation won't value or work hard for the family wealth leads to a lack of disclosure about the family estate, limiting the inheritors' involvement and preparedness.

Procrastination: Wealth creation often takes priority over wealth protection and succession, resulting in incomplete or non-existent plans.

Cultural and Traditional Influences: Historically, Indian society followed a joint-family system where the eldest male managed wealth. The shift to nuclear families is slow, and many still believe older family members should handle affairs, excluding the next generation from planning.

Underestimating Complexity: Estates have become more complex with international assets and laws. Many families still hold the outdated view that inheritance management is straightforward, leading to a lack of preparedness among stakeholders.

To address these issues, families must recognize that a successful estate plan requires not only careful drafting but also the involvement and education of inheritors. This ensures they are equipped to implement the plan effectively.



Vinay Kumar

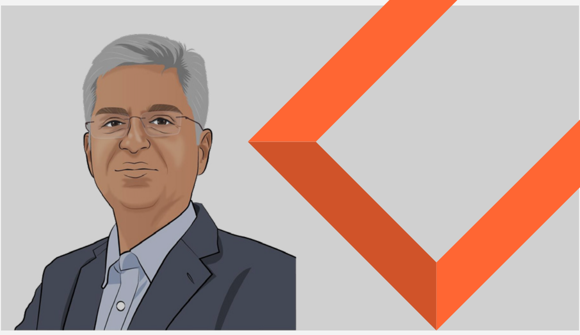
ASSOCIATE DIRECTOR - ESTATE PLANNING,
CLIENT ASSOCIATES

Most businesses struggle to survive beyond the third generation, indicating a lack of proper processes and structures for grooming successors. However, there's a growing trend among first-generation entrepreneurs to adopt formal succession planning.

Leadership succession is crucial for sustainable businesses. While ownership can remain within the family, managing the business should be based on meritocracy, considering attitude, skills, and knowledge for the next generation. Family businesses need to address three key dimensions: the survival of the family, values succession, and ownership succession.

An increasing number of business families are embracing legal structures like family trusts. These trusts help segregate management from ownership, ensuring smooth inter-generational transfer. For instance, families are transferring shares into trusts rather than directly to family members, effectively separating economic and controlling interests. A notable example is Max India, where Analjit Singh established a trust to protect the company from family interference and prevent disputes over ownership.

By focusing on structured governance, professional management, and early involvement of the next generation, business families can better prepare for succession, ownership, and control, ultimately enhancing the longevity and success of their enterprises.



Apurva Sahijwani

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

There is certainly increased awareness among business families to prepare their next generation to take control of their businesses as compared to what we have seen earlier. However, there is a pressing need for this to be a structured, methodical, and comprehensive process. It is incumbent on the principals to work with professionals who have strong domain expertise to create a customized program for the next generation so that they can cultivate a clear understanding of not just the business, but also build strong knowledge of the factors influencing the business.

Shweta Shah

HEAD - WEALTH STRUCTURING & ESTATE PLANNING
NUVAMA PRIVATE

I have seen a lot of progress in this area as compared to several years ago when families did not talk about this subject or would think that succession is automatic. We have seen families actively intending to plan for succession, especially the joint family businesses. The new young entrants in the family business are seeking clarity about the succession plan for the business. The patriarch involved the younger family members in the process of planning for succession so that their aspirations are taken into consideration. Of course, the level of involvement of the younger family members varies from family to family.

Abhijit Joshi

FOUNDING AND MANAGING PARTNER
VERITAS LEGAL

There has been a lot of thinking and debate among business families on the subject. However, the actual implementation of it is either prolonged or poor. Probably not enough bandwidth is being given, as these are at one level inconvenient questions and at another level are not issues that need to be immediately tackled. This will require vision and guidance over time, which needs to be provided by business families.

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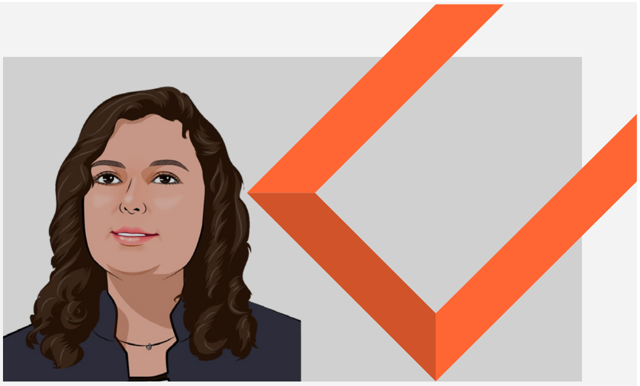
WHEN SHOULD A BUSINESS FAMILY CREATE A FAMILY OFFICE?

There is no one-size-fits-all approach here. Ultra-high-net-worth individuals are increasingly opting to create separate structures for managing family wealth. This trend is driven by several factors, including the need for long-term succession planning, asset protection, growing risks of enforcement actions under the Insolvency and Bankruptcy Code 2016 against both companies and personal guarantors, and the desire to navigate difficult financial decisions with greater ease through a formal governance structure. As a result, the concept of family offices has gained traction.

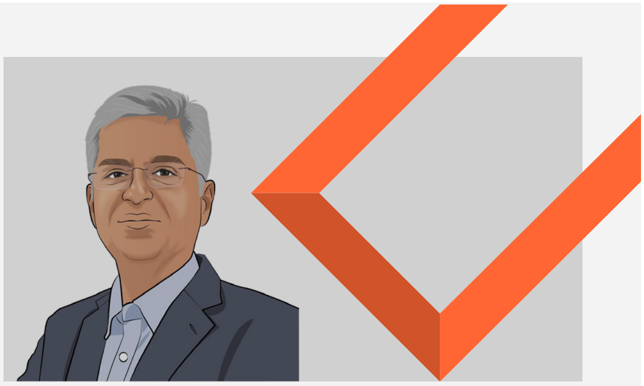
Family offices are experiencing heightened demand to diversify their investment portfolios—not only across different asset classes but also geographically to better hedge against risks. Sometimes, a liquidity event can trigger a family to establish a family office. Additionally, when families seek to invest in emerging companies that are outside the scope of their core family business expertise, they often turn to family offices for management.



Shweta Shah

HEAD - WEALTH STRUCTURING & ESTATE PLANNING
NUVAMA PRIVATE

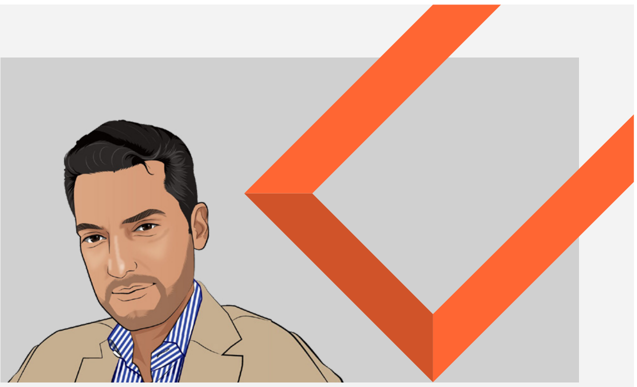
Family Office as a concept always existed in an informal manner in India. In traditional Indian families, there was a concept of “ munim” which took care of all the necessary activities such as investments, accounting, taxation, concierge, advising the family members on various financial and sometimes non-financial matters of the family. He was someone the family members could rely on for various matters. In modern times, a family office could mean either a single family office or a multi-family office. A single family office is typically a set up within the family whereas a multi-family office acts as a family office advisor for multiple clients. Whether to set up your own single family office or no depends on various factors including the quantum of wealth, complexities of investing, number of family members, etc. Many families start with using a multi-family office set up so that they can optimise the costs and leverage on the advice of the professionals in a multi-family office.



Apurva Sahijwani

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

Conventionally, family offices are created when there is a dilution event, however there are multiple reasons for a business family to create a family office. Essentially, the source of wealth for all business families is the business itself; over time, most families realise the business becomes the single-largest component of their wealth. This is the point at which, most families should consider establishing their family offices, rather than waiting for a dilution event. Further, most profitable businesses start generating regular cash flows for the promoter family/group. These cash flows need to be invested prudently in a manner that results in meaningful diversification in the family’s portfolio. Consider a cyclical business, which is going through a favourable phase in the business cycle. Logically, the cash flows generated by the business in the form of dividends, should be used by the promoters to invest in counter-cyclical businesses for them to have meaningful diversification at the aggregate level. Hence, there is no single reason for the creation of a family office, it is for the promoters/founders to decide when they should take the initiative of establishing one.



Divij Chopra

MANAGING DIRECTOR, HEAD - FAMILY OFFICE
& UHNW CLIENTS
WATERFIELD ADVISORS

It is prudent to rephrase the question to what trigger AUM would justify a client having a dedicated team on their payrolls focusing on their financial investments. These would include investment specialists, analysts, operations/administration etc.

Larger single-family offices in India typically start with investment surpluses in excess of INR 500 Cr (USD 60 million) (excluding promoter shareholding in their businesses). Between INR 100 Cr (USD 12 million) to 500 Cr (USD 60 million) we see as the sweet spot where HNI families start to use investment advisors such as Waterfield to be their outsourced family office. Historically these families were working with Investment firms who make their revenue from distributing Products, always putting in doubt the alignment of interest of the Firm and the Client.

The Family Office approach would allow them to achieve the following:

- Consolidated data reporting/MIS across portfolios,
- Have in place more robust mechanisms / frameworks for reviews and asset allocation.
- Manage and understand the sub-asset class and sectoral allocations across asset classes
- Identify areas of inefficiencies in performance and cost
- Benchmarking of performance including across their managers.

Abhijit Joshi

FOUNDING AND MANAGING PARTNER
VERITAS LEGAL

This would depend on the circumstances. Each family is different. For instance, a single event like the sale of a business might leave a family with substantial assets and liquidity but without the management support previously provided by the business. The initial step in establishing a family office involves understanding the family's motivations and examining the scenario within the broader context of their overall vision and values. In the instance above, the family has a specific desire to manage the newly earned wealth. In some other cases, a family might want to preserve its legacy, or the need for a family office might gradually emerge as managing their affairs becomes increasingly time-consuming.

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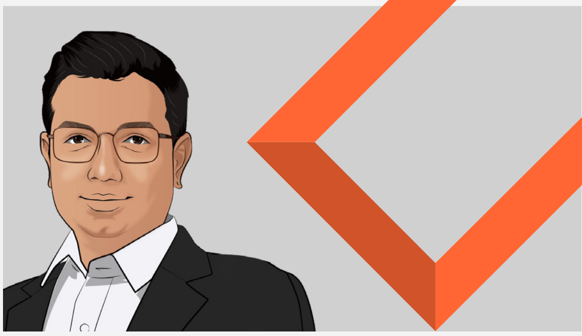
HOW CAN FAMILIES EFFECTIVELY PREPARE THE YOUNGER GENERATION TO MANAGE AND GROW THEIR INHERITED WEALTH OR FAMILY BUSINESS?



Sagar Maru

SENIOR ASSOCIATE
AZB & PARTNERS

Preparing the next generation to lead a family business and encouraging stewardship requires a strategic, long-term approach.

The family leader must clearly define and consistently communicate the family's core values. It's important to cultivate traits like independence, entrepreneurial spirit, and philanthropy in the younger generation. Providing effective mentorship is essential for their development.

Gradually involving them in family business decisions, starting with smaller responsibilities and gradually increasing their roles, allows them to learn while minimizing risks. Embracing their fresh perspectives is beneficial. Open communication and a balanced approach are crucial in preparing them for managing family wealth and businesses.

Maintaining the right mix between merit and inheritance is important. Extremes of nepotism or meritocracy can jeopardize the business. Value both active involvement and passive shareholding, separate management roles from ownership decisions, and distinguish between compensation and dividends. This approach could help achieve a balance between merit and inheritance.

Shweta Shah

HEAD - WEALTH STRUCTURING &
ESTATE PLANNING
NUVAMA PRIVATE

Apart from the technical and financial knowledge that family members need to grow and preserve their wealth, I believe that inculcating family values and fostering a sense of unity within the family members is the key to successfully and happily managing the wealth. If the family members do not have a sense of belonging and responsibility towards the family and its legacy, there are chances of dispute in the family and therefore, disruption in the family business. These values can be inculcated in various ways- the patriarchs can set an example by practicing what they preach so that they set an example for the younger generation, time and again reiterating the values in the family values by having discussions with them. A Family Charter or constitution can be great way to formalise and bring it on paper, the patriarch's vision for the family business, values that he would like the members to imbibe and follow while carrying on the business, and policies to ensure fairness in dealings with the members and other stake holders.

Sneha Makhija

HEAD OF WEALTH PLANNING
SANCTUM WEALTH

Effective preparation of the younger generation to manage and grow inherited wealth or a family business requires their early and active involvement. This involves not just induction into the business but also open communication about goals, plans, and perspectives.

Key strategies include:

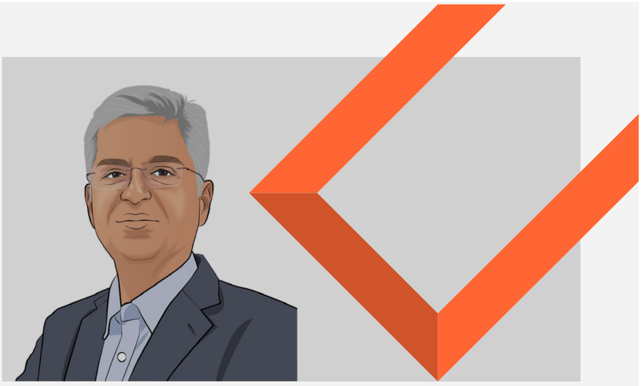
Educate & Empower: Teach financial concepts and money management skills early on. Assigning a small portfolio can build confidence and decision-making skills.

Mentorship: Establish mentor-mentee relationships to share wisdom and encourage personal growth. Creating a mentorship team can provide objective feedback, which might be difficult within family dynamics.

Family Governance Framework: Set up a communication channel for all family members, active or passive in the business. This framework can address issues like the next generation's decision to not join the business, funding requests for philanthropy, or managing family conflicts.

Involvement of Professionals: Engage external advisors like financial advisors, estate planners, and legal experts. They can guide and support the next generation in managing wealth and the family business, ensuring smooth decision-making and communication across generations.

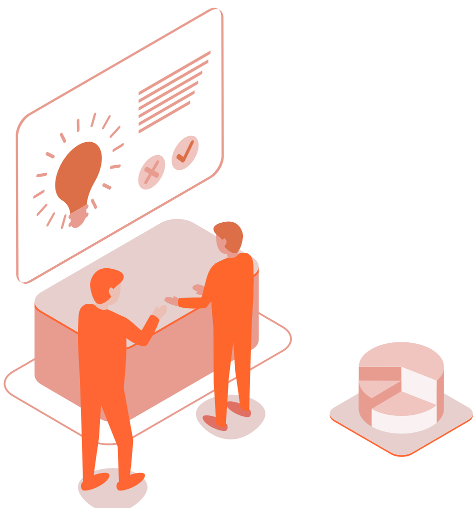
These mechanisms instil the necessary skills, values, and sense of responsibility in the next generation, preparing them to effectively inherit, grow, and manage family wealth.

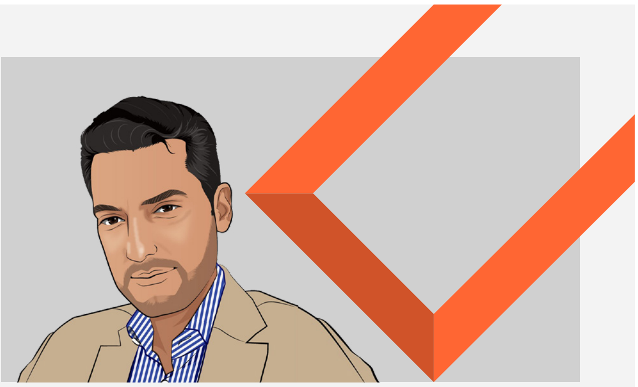


Apurva Sahijwani

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

There is every reason to start early in preparing the next generation to start developing an understanding of the family business and their investment portfolio. It is also imperative that this understanding starts from ground up in that, the next generation should understand the "nuts and bolts" of the business. We have seen a few instances, where the principals have asked the next generation for a critical evaluation of their family business. I am aware of a case, where a founder asked his daughter to make a valuation report for the business, which required her to build a strong understanding of the business and interact with the employees, vendors and customers. Similarly, it is important for the next generation to understand how the family's wealth is being managed. This requires them to understand and question the family office's investment charter, re-examine their financial goals, build increased understanding of asset classes and capital markets and finally, critically evaluate their existing investments.





Divij Chopra

MANAGING DIRECTOR, HEAD - FAMILY OFFICE
& UHNW CLIENTS
WATERFIELD ADVISORS

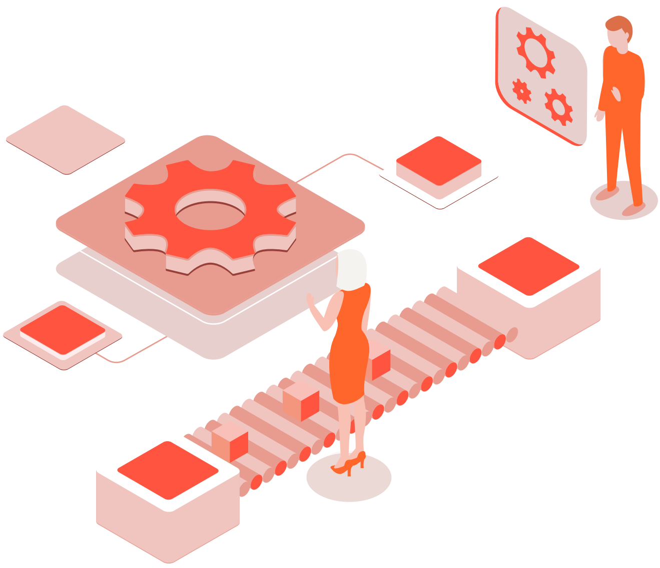
A simple starting point is to involve the younger generation in investment discussions with Family Office and other investment advisors. We do see a number of clients having the next generation sit in on all investment committee meetings and encourage more and more to do so.

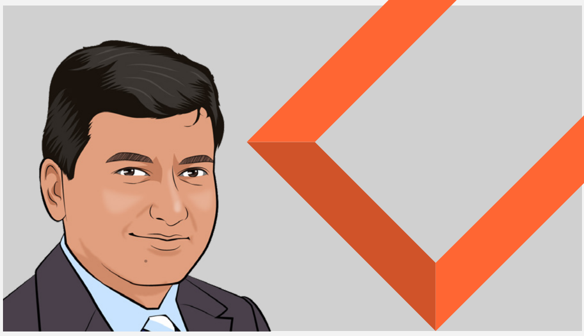
We also run knowledge sharing sessions and workshops on investments and markets for the younger generation clients, and through our 'HERitage' initiative do the same for all our lady clients.

Abhijit Joshi

FOUNDING AND MANAGING PARTNER
VERITAS LEGAL

When roles are given rather than earned, it creates an attitude of entitlement; alternatively, forcing family members to earn their ownership may make them feel compelled to work for the company. Striking the right balance between the inherit and merit model is an effective tool of succession. The first step is to provide the younger generation with a basic level of education. In today's world, this is fortunately not an issue. Through this, they can gain a better understanding and appreciation of the family businesses. Once they are in some sense ready, they should be inducted into the business with limited roles to get a sense of how the business works. The older generation will have to train them on the job. These learnings are not documented but come with shared knowledge and practical experience.





Vinay Kumar

ASSOCIATE DIRECTOR - ESTATE PLANNING,
CLIENT ASSOCIATES

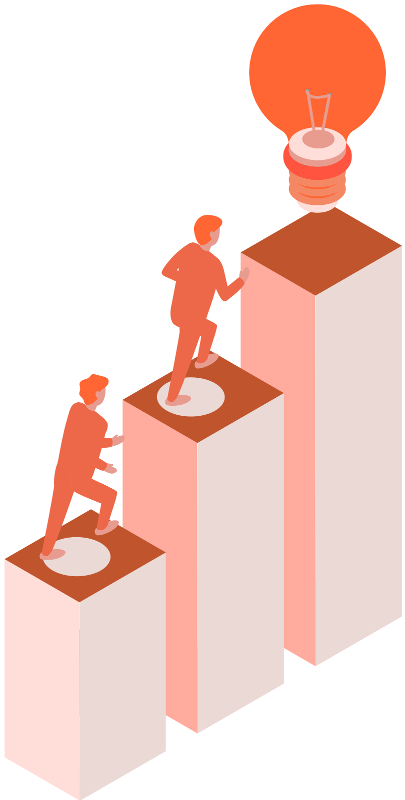
To ensure the successful transition of a family business, it's crucial for the current generation to mentor and train the next generation well in advance. This involves assessing their current skills and developing a plan to bridge any gaps. Key steps include:

1. **Identify Necessary Skills:** Determine the skills your successor needs, guided by the long-term goals of the business. This could range from maintaining the business to transforming it. Understanding the business drivers and creating an appropriate strategy is essential.

2. **Establish Open Dialogue:** Effective communication with the successor helps understand their aspirations and readiness. A family business expert can assess skill sets, identify gaps, and facilitate informal discussions to gauge each family member's aspirations.

3. **Eligibility Criteria:** Ensure the next generation builds their qualifications and skills. Encourage them to gain external work experience to handle complex challenges better. Induction should be merit-based, helping successors earn respect within the business.

4. **Find Suitable Roles:** Have the next generationstart at appropriate levels to understand the business's nuances before ascending to top leadership positions.



5. **Passion is Prerequisite:** As Ashish Bharat Ram of SRF suggests, family members lacking passion or willingness to take on business responsibilities should act as responsible owners without interfering in management.

6. **Development Strategy:** A well-structured development strategy is vital. It should focus on ownership skills, competencies, and understanding family values and vision.

Given the sensitivity of succession, a family business advisor can help establish robust governance processes and legal structures.

WHAT STRATEGIES DO YOU RECOMMEND FOR FOSTERING FINANCIAL LITERACY AND RESPONSIBLE STEWARDSHIP AMONG YOUNGER FAMILY MEMBERS?

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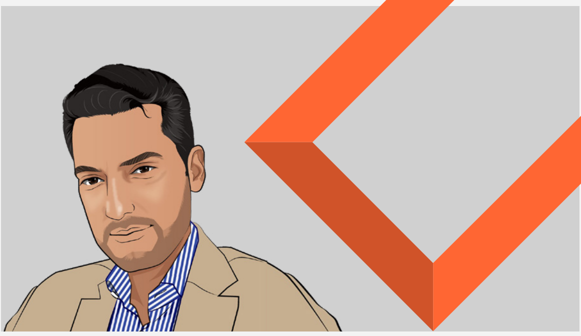
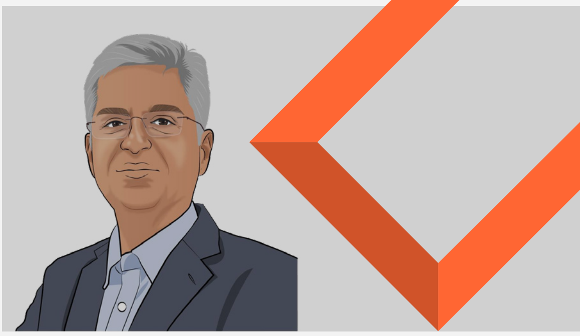


Divij Chopra

MANAGING DIRECTOR, HEAD - FAMILY OFFICE & UHNW CLIENTS
WATERFIELD ADVISORS

As above, a simple starting point is to involve the younger generation in investment discussions with the Family Office and other investment advisors along with attending knowledge sharing sessions and workshops. For those with a passion to learn further, we encourage select investment programs, and portfolio simulation games to help get started.

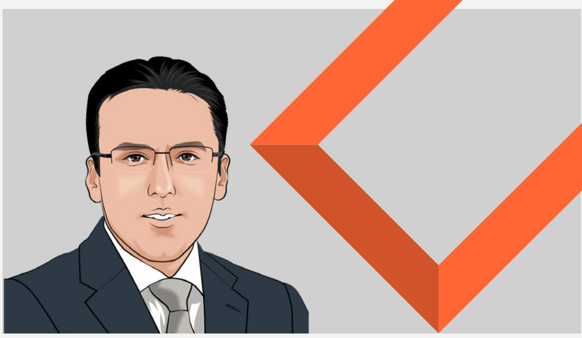
Another practical approach is to involve younger family members more intricately in the IC conversations, rationale and investment decisions that pertain specifically to their corpus. If there is a part of the portfolio that they have discretion on; then we encourage the younger clients to work with their advisor to make those investments and play devil's advocate on the ideas, they may come with to help make more informed decisions.



Apurva Sahijwani

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

As mentioned earlier, it is important to start early, by getting the younger members of the family, who will eventually inherit the family's wealth, to build increased understanding. This may require them to undergo specialised courses, intern with established wealth management businesses, undertake specific training initiatives and read the vast content available on managing wealth and understanding asset classes. I must mention here that it is also imperative for the younger generation to have a strong understanding of behavioural finance. This will help them prepare for the uncertainties, which they will encounter over time in acting as custodians of their family's wealth.



Abhijit Joshi

FOUNDING AND MANAGING PARTNER
VERITAS LEGAL

A lot of children don't even have an idea of the amount of wealth their parents have. If their parents were to pass away earlier than expected, they could find themselves having a significant amount of assets they have some responsibility for. This can be mitigated by involving the next generation in the business at early stages. Apart from a basic level of literacy, as mentioned above, the most important element, which people tend to ignore, is the fiduciary relationship one has to the family. The younger generation needs to realise that the wealth of the family business is not their own to keep, but a responsibility they have to grow for the benefit of the family. They need to learn to place the family and the business above themselves. The principle of trusteeship needs to come back – this has been part of the concept of Indian leadership for decades.

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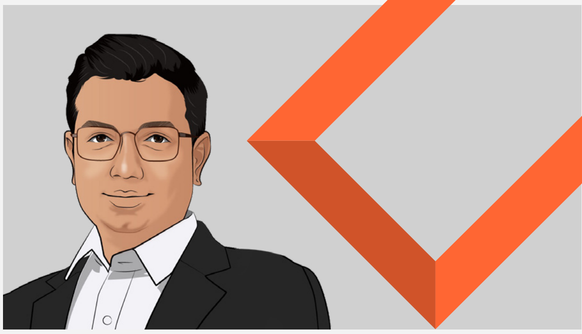
WHAT COMMON CHALLENGES DO FAMILIES FACE DURING THE WEALTH TRANSFER PROCESS, AND HOW CAN THEY BE MITIGATED OR OVERCOME?



Sagar Maru

SENIOR ASSOCIATE
AZB & PARTNERS

Family dynamics can complicate the planning process. Sibling rivalry, favoritism, and differing visions for the future can create tension and disputes. Life events like divorce, remarriage, or changes in financial status impact family dynamics and affect succession planning, necessitating ongoing adjustments. Many families delay or avoid succession planning due to discomfort or lack of knowledge, leading to disorganization and decision-making problems. Disagreements often arise from a lack of shared vision and values, unclear decision-making processes, and poorly defined roles and responsibilities. Additionally, conflicts can stem from inequitable rewards, especially among next-generation family members.

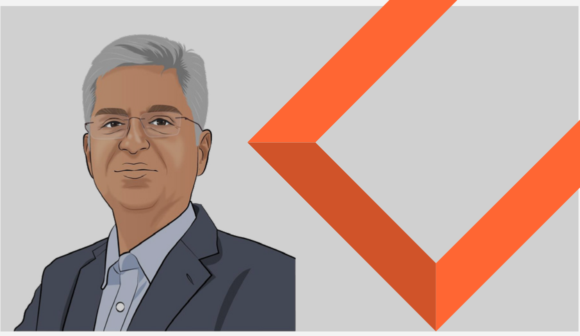
Steps that can be taken in creating a sustainable, long-term wealth management plan that includes the next generation include -

Family constitutions and family councils serve as essential tools for managing family dynamics and ensuring effective governance. A family constitution outlines the values, principles, and rules that guide family decision-making and relationships. It defines the family's core values and mission, fostering a shared vision and purpose. Additionally, it outlines the governance structure for managing family assets, businesses, or investments, including roles, responsibilities, and decision-making processes. The constitution provides mechanisms for resolving disputes and handling disagreements within the family, preventing conflicts from escalating. Furthermore, it addresses succession planning, specifying how leadership and ownership transitions will occur. Meanwhile, a family council acts as a governing body, making strategic decisions and addressing conflicts among family members. It offers a structured approach to managing disagreements and ensures that the family constitution's principles are upheld.

Professional directors / Professional management - Enhancing a family business often involves bringing in professional directors or non-executive board members who are not part of the family. These non-family directors provide an impartial perspective, especially when evaluating the performance and competencies of family members in managerial positions. Additionally, they play a crucial role in mediating disputes among family members.

Private trusts are a valuable tool for business succession planning, offering several key benefits. When establishing a trust, important factors to consider include creating a legal structure to manage family assets, bypassing the probate process typically associated with wills, and ensuring that family wealth is distributed and used in an organized way. Trusts can also protect the interests of all family members, including those with special needs or disabilities. Additionally, they allow for conditions to be attached to gifts—such as reaching a certain age or meeting the settlor's specific wishes—and can help prevent disputes over family property.

Philanthropy and Social Impact - Creating a well-defined philanthropic strategy can motivate family members to discover causes they feel strongly about, and at the same time, contribute or give back to the society. This may mean engaging younger family members in philanthropic choices while at the same time ensuring that philanthropic initiatives align with family values and mission, potentially even yielding goodwill.



Apurva Sahijwani

MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

Transmission of wealth can be an extremely long and frustrating process. Hence, it is essential to plan for the transfer of wealth during one's lifetime. There are multiple approaches, which can be used to make this process seamless and organised. I find it quite surprising that most affluent families haven't created an "asset register," which contains the details of all their real and financial assets. What is also surprising is that most families haven't completed the basic nomination process for their investments. Depending upon the complexity, one can use a variety of simple and customized solutions to address the transmission of wealth. The important thing is to start early and ensure this aspect is prioritized.

Shweta Shah

HEAD - WEALTH STRUCTURING &
ESTATE PLANNING
NUVAMA PRIVATE

Have always said this and this is what I strongly believe. Managing emotions of different family members while planning for succession is the biggest challenge families face during the transition phase. Different individuals have different mindsets, egos, aspirations, needs. To carry out the entire process of transition of wealth seamlessly without any dispute means to address these personal characteristics of every individual which is quite a challenge.

Sneha Makhija

HEAD OF WEALTH PLANNING
SANCTUM WEALTH

Many families mistakenly limit wealth transfer to just preparing legal documents like Wills and Trust Deeds. It is crucial to anticipate the challenges inheritors may face in executing the estate plan. By identifying potential issues today, practical solutions can be incorporated into the plan, ensuring the family is well-prepared.

For example, a Will may specify who inherits the wealth, but if inheritors lack details about the assets, it can lead to transmission loss. Therefore, while legal documents are essential, providing comprehensive details about the estate and equipping inheritors with necessary information is equally important.

Additionally, many families procrastinate or start their estate planning too late, making it a cumbersome task due to the complexity of a large, multi-jurisdictional asset base. Starting the planning process early and periodically updating the plan can mitigate these challenges.

Steps to ensure seamless wealth transfer:

Document details: Along with legal documents, provide detailed information about the estate.

Educate inheritors: Equip them with the necessary knowledge and information about the estate.

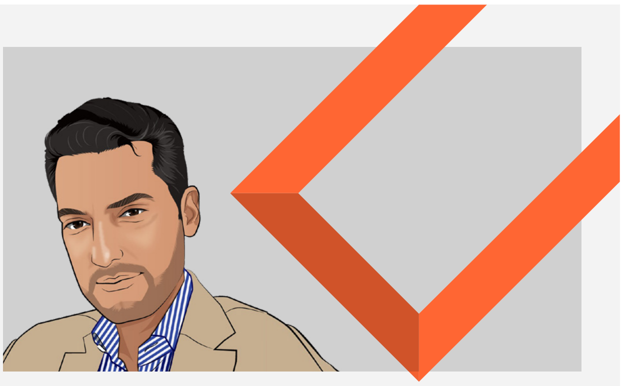
Start early: Begin estate planning early and update the plan regularly to accommodate changes in the asset base and family structure.

By addressing these aspects, families can better manage wealth transfer and avoid potential pitfalls.

Abhijit Joshi

FOUNDING AND MANAGING PARTNER
VERITAS LEGAL

When the division of responsibilities has not been clearly documented as to who in the family will take charge, it leads to friction. Families need to have defined roles and responsibilities for the next generation as to who will be the first among equals. This is earned through a mix of competency and seniority, and the younger generation then needs to respect this decision. Documentation can take the form of a letter of wishes, a family agreement, or even a family constitution. However, it's important to find a balance: too little documentation can create ambiguity, while excessive documentation might lead to disputes and litigation.



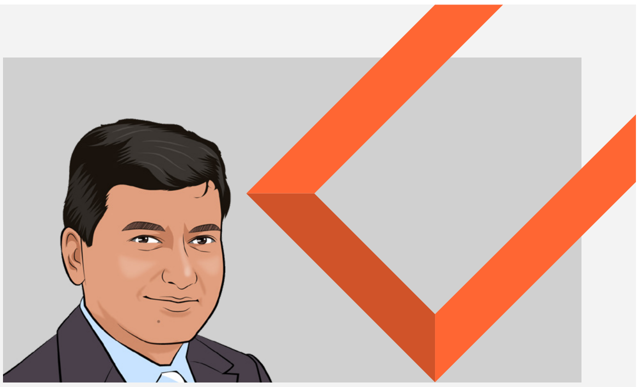
Divij Chopra

MANAGING DIRECTOR, HEAD - FAMILY OFFICE & UHNW CLIENTS
WATERFIELD ADVISORS

One common challenge in the wealth transfer process or setting up of a family constitution is if not all family members are aligned in objectives, timelines, segregation of assets/businesses. This can be mitigated by an independent advisor or respected moderator being involved in family interview discussions. This helps to better understand perspectives and communicate objectives. Due to so many potential complications, we can see family constitution drafting taking between 1 to 2 years to finalize.

Another big challenge would be if the Head of the Family or a key family member passes away during the transition process before the succession planning infrastructure is set up. Whilst this is difficult to mitigate properly, it is prudent to ensure as quickly as possible that wills are set up first and registered.

The most common issue we see in many business families is when there is not a proper segregation of personal wealth and business wealth. This becomes particularly critical if the business has borrowings and / or the promoter has issued personal guarantees. We have seen on more than one occasion where the family home was also owned by the family business. It is important to ensure company liabilities and PGs are covered either by insurance protection or ring-fenced liquid assets.



Vinay Kumar

ASSOCIATE DIRECTOR - ESTATE PLANNING, CLIENT ASSOCIATES

Wealth transfer in family businesses comes with unique challenges such as overlapping roles, differing generational views, lagging new developments, lack of governance structure, and non-professionalism.

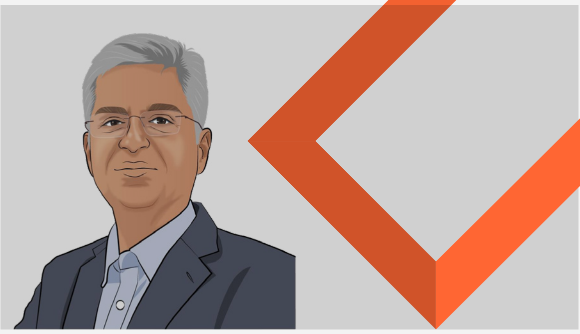
As wealth increases, so do the complexities in the transfer process. Young family members sometimes exhibit overconfidence, valuing their family name over the business expertise gained through hard work. This can lead to pitfalls, as they may underestimate the importance of gaining practical experience and knowledge.

Passing on the right values along with wealth is crucial for building sustainable family enterprises. Early exposure to business operations helps younger members understand the business and the family's involvement. This could be through a project or a more complex task, such as solving a business problem. Such experiences develop their thought process and help them identify business areas that interest them. This exposure helps align their aspirations with the family's vision, providing clarity and shaping their career choices.

To overcome these challenges, families should focus on structured governance, professional management, and early involvement of the next generation in business processes. Encouraging external work experience and fostering a culture of learning and respect for earned expertise can also mitigate potential issues.

HOW CAN PRIVATE WEALTH ADVISORS SUPPORT FAMILIES IN CREATING A SUSTAINABLE, LONG-TERM WEALTH MANAGEMENT PLAN THAT INCLUDES THE NEXT GENERATION?

6



Apurva Sahijwani

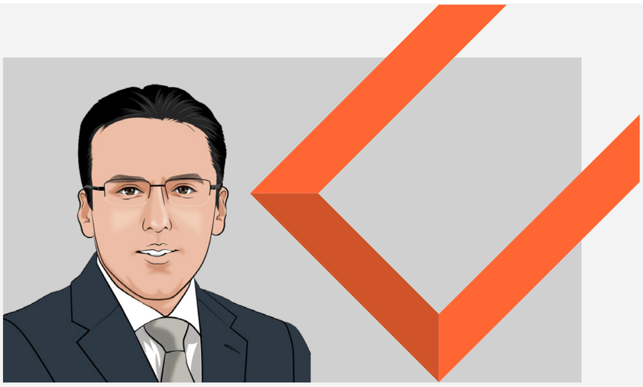
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

It is essential that the need for succession planning is identified and actioned at an early juncture with our private clients. The next step is to identify the right solution set for each private client relationship and involve the entire family in the decision-making process. The advisor should then focus on educating the next generation on the identified priorities and goals. Further the investment charter should be revisited to consider the needs of the next generation, for example, the next generation may need seed capital for their individual business ventures, the asset-allocation should be discussed subsequently and the right cadence for portfolio reviews and rebalancing should be agreed upon. The next generation should be encouraged to participate in these reviews and their views should be incorporated while taking rebalancing decisions.

Sneha Makhija

HEAD OF WEALTH PLANNING
SANCTUM WEALTH

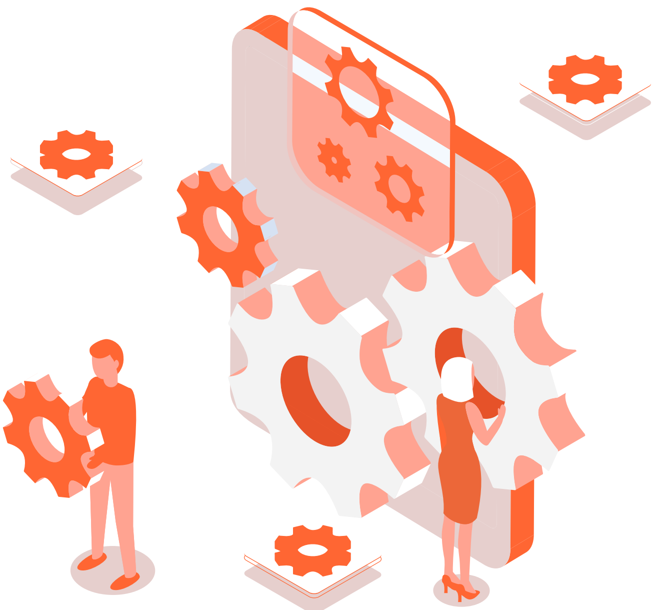
Having a third party unbiased advisor can help families in arriving at solutions which can be fair for the family members and the family business both. As private wealth advisors, we advise clients in managing their wealth which gives us a good understanding about the needs and aspirations of the clients. The clients not only place their trust on us to manage their money but also rely on us to advise them on non-financial matters. Considering that creating a long term succession plan involves a mix of financial and non-financial aspects to be considered, private wealth firms fit well into this as they typically have a long term relationship with their clients, understand the clients quite well and have the requisite technical expertise and professional approach in managing their wealth and succession.

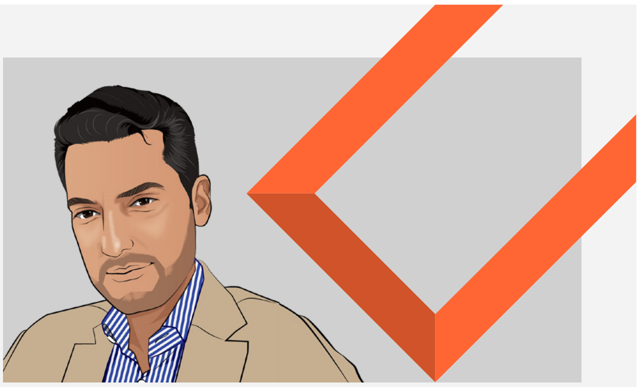


Abhijit Joshi

FOUNDING AND MANAGING PARTNER
VERITAS LEGAL

Wealth advisors need to be careful. They should appreciate the family nuances, as there is no one-size-fits-all. In India, the legal framework is very vast. Advice would defer based on the religion of the family members, their citizenship, etc. Wealth advisors have to first understand the psychology of the clients and go back and provide customized advice and should avoid product pushing.





Divij Chopra

MANAGING DIRECTOR, HEAD - FAMILY OFFICE
& UHNW CLIENTS
WATERFIELD ADVISORS

We as advisors do encourage the family Investment Committee to include younger members of the family. Initially, if they are not financially savvy, they can be on the IC as observers. In addition, whilst it's important to craft an overarching Investment Policy Statement for the family, there should be subsets within that for individual family members which can be tailored to a degree to incorporate areas / sectors of interest for them. This empowers and involves the next generation into portfolio discussions that are of more interest to them.

It is important for an advisor and the Family to understand causes or areas of interest of the younger generation (e.g. sustainability, education, poverty, disruptive technologies, AI, climate change, etc) because these are areas that could be covered either in the portfolio or even through philanthropic / CSR allocations or both.

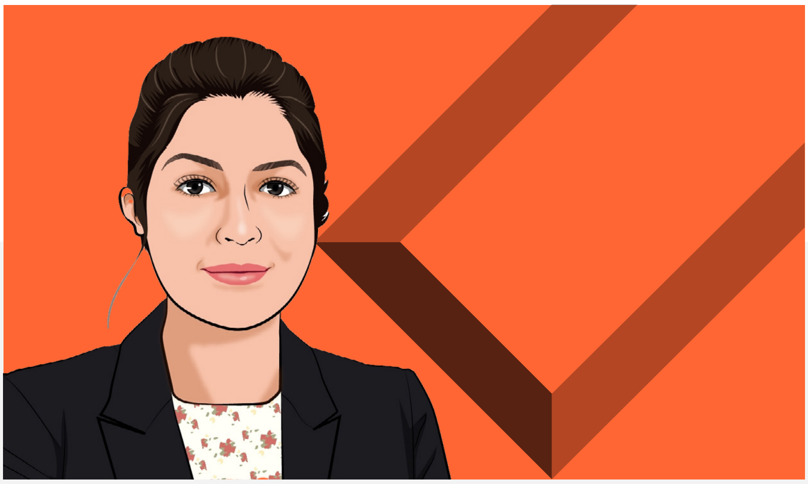
INSPIRING BIOGRAPHY OF VISIONARY LEADERS

Abhijit Joshi

FOUNDING AND MANAGING PARTNER
VERITAS LEGAL

Abhijit Joshi, the Founding and Managing Partner of Veritas Legal, is a dual-qualified solicitor in India and England, being regarded among Asia's Top 15 Private Wealth and M&A Lawyers with a noteworthy legal career spanning 3 decades. Over the years, Abhijit has advised various business houses and promoter families and has also represented global conglomerates and large private equity houses across industry sectors on numerous complex deals and cases.

Among his many accolades, has also been awarded with the Financial Times Innovation Award (Asia Pacific) for his work on a complex merger transaction. Additionally, he has also provided services to many clients in the hospitality sector.



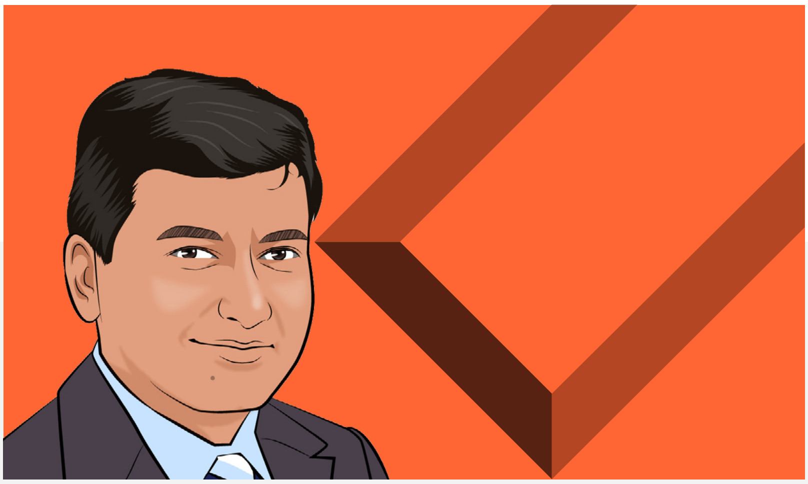
Sneha Makhija

HEAD OF WEALTH PLANNING
SANCTUM WEALTH

Leads the wealth planning division to provide comprehensive estate planning solutions to a diverse clientele of high-net-worth individuals including professionals, entrepreneurs, business owners and multi-generational family businesses. Bringing years of expertise to the role, Sneha specializes in creating bespoke wealth planning solutions for UHNW individuals and families.

She provides advice to clients on their estate and succession planning requirements that includes advisory on creation and structuring of trusts and wills with best practice governance principles to ensure their longevity and success. Her in-depth understanding of governance issues in multi-generational business families enables addressing of business and relationship challenges that such families often encounter.

She has worked with organisations such as Barclays Bank PLC., and Kotak Family Office. She is a Chartered Trust and Estate Planner (CTEP)TM and holds an MBA from Durham University Business School (UK).



Vinay Kumar

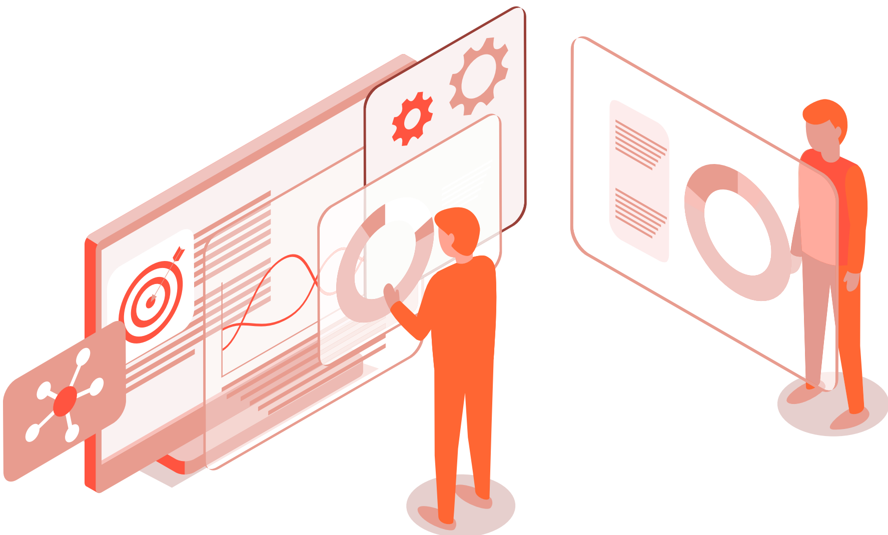
ASSOCIATE DIRECTOR - ESTATE PLANNING, CLIENT ASSOCIATES

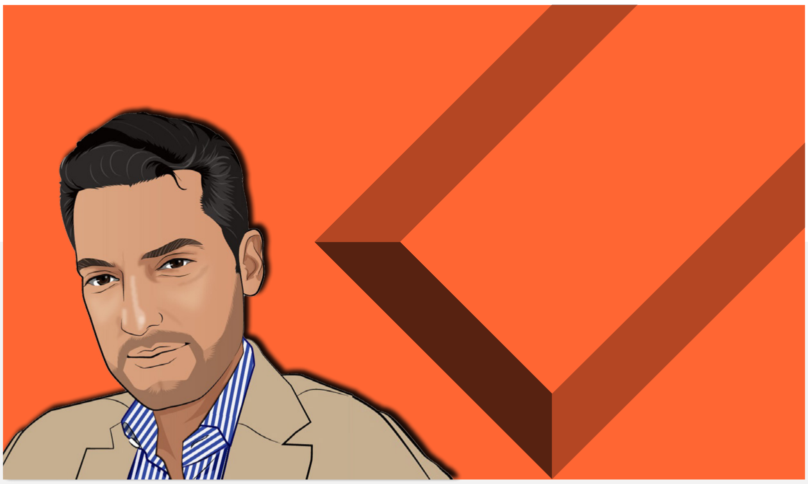
Mr. Vinay Kumar leads the Estate & Succession Planning practise at Client Associates. With over 15 years in the industry, he is a trusted advisor to high-net-worth individuals and families, offering tailored solutions for estate planning and global mobility that align seamlessly with their unique wealth planning goals and constraints.

His journey in the world of finance and wealth management commenced in 2008 when he embarked on his career with Client Associates. Subsequently, he honed his skills during a five-year tenure with Vistra India, before rejoining Client Associates in 2017. His return to the organization was motivated by a deep-seated passion for elevating the practice of estate planning and succession structuring to new heights.

Vinay's academic background underscores his commitment to excellence. In addition to his extensive professional experience, Vinay has augmented his academic credentials with an Executive Programme in Growth Strategies from IIM Calcutta, complementing his MBA in Finance from the renowned Department of Financial Studies at Delhi University. He also holds a Master of Business Laws from the esteemed National Law School in Bangalore, and is an alumnus of Shri Ram College of Commerce, Delhi University.

Vinay's professional philosophy revolves around the belief that a comprehensive financial planning process must incorporate the critical dimension of succession planning. In today's complex financial landscape, he views appropriate structuring as an imperative for affluent families. His vision is to empower clients with the tools and knowledge they need to navigate the intricate web of estate planning, ensuring that their wealth continues to benefit future generations.





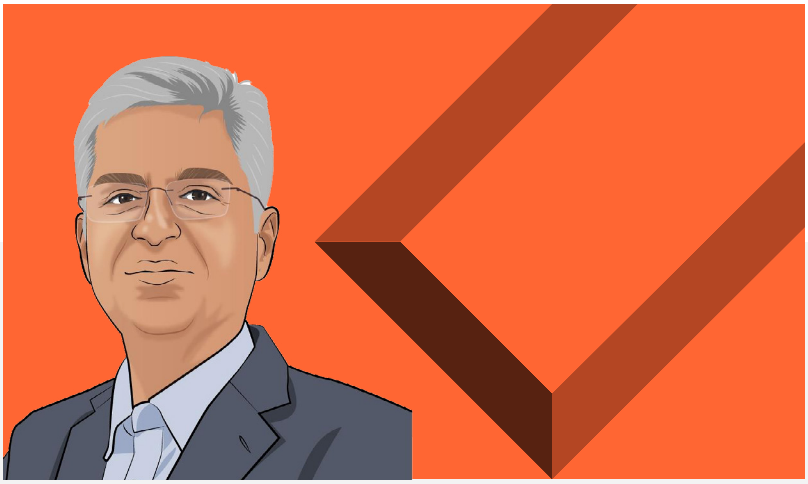
Divij Chopra

MANAGING DIRECTOR, HEAD -
FAMILY OFFICE & UHNW CLIENTS

Divij caters to both domestic and global UHNI clients; and is also actively involved in the strategic planning and execution of Waterfield's Global expansion plans. He is responsible for Waterfield's outreach to India's ultra-high-net-worth individuals and single family office.

With nearly two decades of experience in global private banking and financial services consulting, Divij is a specialist in business development, investment management, and client servicing, with a key focus on the Global South Asian community. His finance experience, developed in leading industry hubs such as Tokyo, Luxembourg, and Geneva, and fine-tuned in Singapore and India, enables him to provide a unique blend of international exposure, outlook, and experience to his UHNW clientele. Additionally, having lived in Spain, the UK, the USA, and Hong Kong, Divij has developed a truly global perspective.

Divij holds an International MBA degree with a specialization in Finance & Strategy from IE Business School, Madrid (2008). He earned a bachelor's degree in business administration from Richmond, The American International University in London (2002). Divij also holds a Diploma in Private Banking from Luxembourg and is a Certified Private Wealth Manager (Advanced), accredited by NISM, India.



Apurva Sahijwani

MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER
AVENDUS WEALTH MANAGEMENT

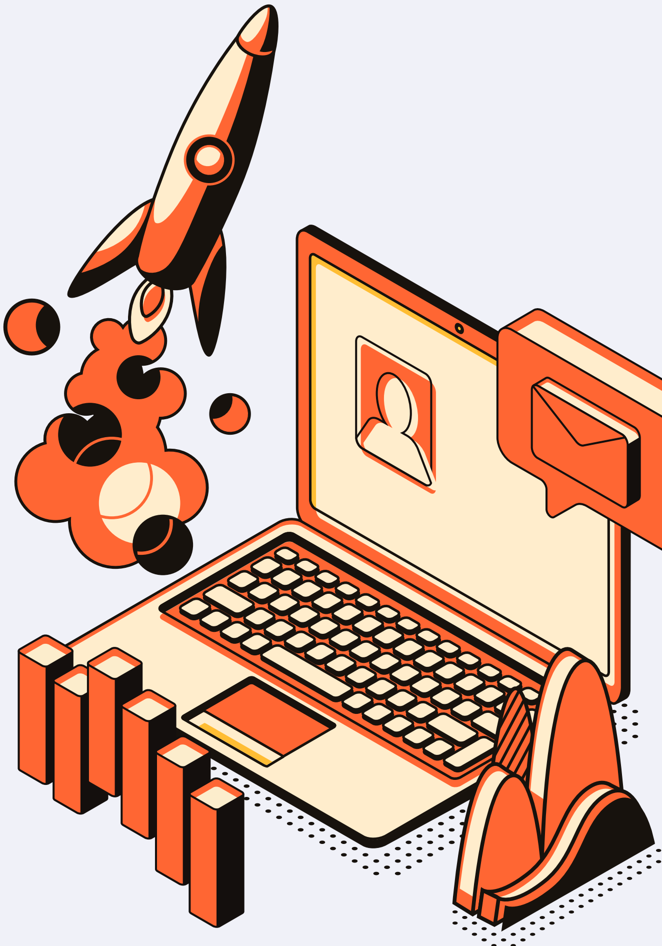
With over 25 years of extensive experience in private banking and wealth management, Apurva Sahijwani spearheads the seasoned Avendus Wealth team and leverages the entire Avendus platform to advise clients holistically. Apurva is responsible for shaping bespoke solutions for India's discerning UHNI client base, fostering strategic business growth. Prior to joining Avendus, he spearheaded Burgundy Private, Axis Bank's private banking arm. He has also held several key management positions at Kotak Wealth, ICICI Bank, HSBC and Citibank. A post-graduate in business administration from Gujarat University, Ahmedabad, Apurva is widely respected in the industry for his professionalism, team-orientation and acumen.

Shweta Shah

HEAD - WEALTH STRUCTURING
& ESTATE PLANNING
NUVAMA PRIVATE

Chartered Accountant with over 16 years of post qualification experience. Formerly with Ernst &Young for around 9 years in the Mergers & Acquisition Tax Team, Assisted large corporates in restructuring their group structure in order to be more tax efficient as well as to comply with regulatory norms. Helped clients in structuring acquisition as well as stake sales transaction keeping in mind the tax and regulatory requirements of India. Assisted clients in structuring foreign investment into India including joint ventures considering various laws such as FEMA, FDI policy, income tax, laws of other countries, etc. Advised clients on wealth structuring, estate planning, mergers & acquisitions taxation as well as family governance structures. Advised promoters of large family businesses on devising long term succession plan for their assets including business assets as well as non business assets in India and across other countries. Assisted clients in creating asset protection vehicles to ensure safety and security for the family members. Helped clients in creating trusts, Wills, Family Charter, partnerships, companies, etc for smooth passing of wealth to the next generation. Assisted parents of special children in creating structures which could aid in providing safety and security to the special children. Helping families with NRIs / global citizens /residents in estate planning keeping in mind the tax and regulatory requirements of the foreign countries. Creation of trust for promoters of Indian listed companies after considering the tax and regulatory (eg, SEBI) aspects. Helped clients in the High court / NCLT process of mergers, demergers, etc to achieve the objective of consolidation of businesses or segregation of businesses, etc. Co authored the book on Mergers & Acquisitions released by EY in 2012, 2013.

THANK YOU !



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