



PHOTOGRAPH BY BRIAN CHING

# A question of trust

Selwyn Au-Yeung shares with *A Plus* insights he gained from trust planning for wealthy families

By Christina Ko

**W**ith the abolition of estate duty in Hong Kong, trust planning has become a very different kind of animal. However, just because tax is no longer part of the mix doesn't mean trust planning is any less important for accountants.

Selwyn Au-Yeung, head of wealth planning for HSBC Global Wealth Solutions in Asia, will address the myriad ways rich families use to manage their hard-earned fortunes in the CPD seminar – “Trust planning for high net worth families in Hong Kong and China” – in early November. A Canada-educated chartered accountant, Au-Yeung began working with trusts in the early 1990s with Deloitte before joining HSBC eight years ago.

High net worth families are defined roughly as those with more than US\$3 million assets to invest. In the past, with Hong Kong's estate duty set at up to 15 percent, using a trust to reduce costs was a simple solution. That approach still applies in mainland China when family members are exposed to high tax jurisdictions such as the U.S. and Canada. But today, things aren't as cut and dried in Hong Kong, and estate planning involves many intricacies that require the fine eye of an accountant.

Without proper planning, for example, surviving members of a family may not have enough cash to keep going through the probate process, especially if they rely on the estate for their livelihood. “These families, at times of death, would have to start

selling assets to raise the cash. And at that time, when people know that you need the cash, you are not going to get your value,” Au-Yeung says. Globalization also complicates estate taxation, with multiple nationalities and residences involved.

Other interesting challenges have come up: More and more wealthy parents in Hong Kong and the mainland are seeking information on how to give some of their assets to charities and leave less to their children. “A lot of parents have paid for their children's education and seen them go into their own professions, and they don't feel like they need to pass the fortune onto them,” he says.

For example, he told the story of the chairman of a mainland-listed

company who was determined to take care of his only child through a trust but simultaneously put his wealth to charity causes. The executive realized poverty is a massive problem in China and his fortune would merely be a drop in the bucket. “So instead of just donating money, he wanted to start a charity to identify potential leaders and provide them with an education. But then you come across the question: How do you determine a method of identifying these potential leaders?” Au-Yeung says.

HSBC has philanthropy specialists who help clients devise strategies as part of its trust planning services. “Our charitable trust team helps execute charity trust plans based on client needs, from beginning to end,” he says. That includes identifying other clients with similar goals, or experiences in setting up a trust and creating a group

atmosphere in which clients can learn from each other.

A rich family in Hong Kong, Au-Yeung says, set up a charity decades ago, which requires family members who live in different parts of the world to gather once a year and pick a beneficiary who meets the goal of the charity. “That is very meaningful,” he says. “The family looks forward to doing this all the time. Ultimately, you get more harmony and a lot of constructive fighting.”

Many people turn to their accountants for advice on estate and trust planning, having built close relationships with them over the years, Au-Yeung says, and accountants need to understand how to give advice on sensitive topics.

“This topic isn’t purely about accounting or tax, you’re talking about

the softer side of things and long-term planning. A lot of clients feel comfortable talking to their CPAs because the accountant has been servicing them for many years or even many generations,” Au-Yeung says. “In fact, I find that a lot of CPAs and lawyers already have an idea of how the client might want to proceed. By sharing some of the things that I’ve seen, I hope that I can help them open up to different suggestions.”

### **Trust-planning for high net worth families in Hong Kong and China**

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