



Estate Planning: Don't Postpone the Inevitable

Prepared by: Affin Hwang Asset Management

In 2018, Finance Minister YB Lim Guan Eng disclosed in Parliament that unclaimed monies amounting close to RM10billion from various entities had been submitted to the Accountant-General's Department. Yes, you read that correctly – almost RM10billion in cash sitting idly left unclaimed by Malaysians.

The figure underscores a pertinent issue surrounding the lack of awareness amongst Malaysians on proper estate planning practices as well as apathy and just plain ignorance on the basic steps in wealth & asset distribution.



Tan Ping Ying, CEO of Affin Hwang Trustee Berhad (AHTB) highlights that the actual value of unclaimed assets could be even higher than what was reported. "Unclaimed monies comprising of inactive bank accounts, unclaimed fixed deposits or insurance payouts is just one aspect of unclaimed assets. The value of unclaimed estates such as land, landed or non-landed properties, farms and estates are even more significant," she states. That is why investors should pay as much attention to the wealth distribution phase of the financial lifecycle to avoid having their assets trapped in bureaucratic

limbo and regulatory red tape which puts their dependants at risk, says Tan.

In the financial lifecycle, investors tend to pay more attention to the wealth accumulation stage when they start to build their assets and later move on to the wealth preservation stage when they approach retirement. However, the wealth distribution component is often ignored because nobody wants to broach the subject on death and inheritance. "Most people have a tendency to postpone

estate planning and shy away from thinking about distribution plans. They would perceive estate planning as a complicated process and will only leave such planning to a later stage," says Tan.

"But a complete and holistic estate plan encompasses more than just what happens after you pass on. Sufficient awareness should be built around the concept that you **should start planning as soon as you have assets to pass down to your loved ones** and to provide for yourself during your incapacity which is now, rather than hoping things will work out when the time comes."

Whilst, no breakdown was provided for the amount of unclaimed monies amongst Muslims and non-Muslims in the report, it is believed that a large portion of the assets could be trapped under the country's labyrinthine Islamic estate distribution laws.

"We still note that many Muslim clients underestimate the importance of Islamic estate planning due to a lack of awareness about laws and procedures. Despite the Faraid system being obligatory for Muslims, their legal heirs must still go through the civil procedures and formalities. For instance like having an executor (wasi) (with wasiat) or failing which an administrator (pentadbir) (without wasiat) to administer their estates.

"Without proper estate planning, some of the legal heirs are hesitant of claiming their rights due to the high expenses incurred and a lack of understanding of the bureaucratic process which requires effort and time. Furthermore, not having a wasiat may complicate matters further if beneficiaries are not in agreement of any persons appointed as the pentadbir."

Out think. Out perform.

Breaking the Taboo

Having a conversation about death and money is still considered taboo amongst most families in Asia. But by overcoming their own discomfort and confronting hard-truths head on, investors can spare their family members a lifetime of hardship especially over common estate transfer scenarios that are easily addressed.

“None of us like to think about our own mortality. And that is exactly why so many families are caught off guard and unprepared when death strikes. Failure to plan can lead to expensive and unintended consequences,” Tan shares. “It is of paramount importance to choose someone that you can trust to take charge of your estate after you die. Think of what could happen to your loved ones, your business. Can your funds be accessed to ensure the livelihood of your children are taken care of? Will your business continue to operate as usual?” Tan also highlights the importance of having sufficient liquidity in an estate plan as more investors are asset rich but cash poor.

“Previously, HNWIs tend to accumulate illiquid assets like property hoping that it will generate income for the families. However, it never crossed their minds if one day, there is a need for immediate liquidity, they can’t sell off the property. They would still have to go through the lengthy process of selling the house,” she says. “These days, people are beginning to see the importance of having liquidity. As such, more people diversify their investments in various assets and geographical locations (onshore and offshore).”

Preserving Wealth and Legacies

To serve the full spectrum of investor’s needs for a comprehensive financial plan, Affin Hwang AM together with its sister company AHTB offers a range of wealth transfer and preservation solutions to safeguard and protect their wealth from unforeseen circumstances.

Affin Hwang AM’s Beneficiary Account enables investors to have a quick and hassle-free distribution arrangement as well as provide immediate liquidity to relieve dependants in need of funds for living expenses and urgent commitments.

The Beneficiary Account is a joint account with the investor as the primary account holder and AHTB as the secondary account holder. Upon the investor’s demise, AHTB shall receive the deceased investor’s monies by virtue of the right of survivorship and act to distribute the monies to the beneficiaries named by the deceased investor in a fast and efficient manner.

This can ease the death claim process and bypass the probate procedure that can be cumbersome.

Table 1 offers a quick comparison between the different estate planning tools available and services offered by Affin Hwang AM and AHTB.

Table 1: Estate Planning Tools and Services Offered

COMPARISON	WILL/ WASIAT WRITING	BENEFICIARY ACCOUNT (jointly offered by AHAM & AHTB)	TAILOR-MADE TRUST (offered by AHTB)
Purpose / Objective	Common and traditional way of wealth distribution	Quick and hassle-free distribution to nominated beneficiaries	Customized and comprehensive structure to address client’s concerns and unique needs/ objectives on wealth preservation & distribution
Effective date	Upon client’s demise	Upon client’s demise	Upon the Trust setup
Assets covered	All kinds of assets	Only AHAM UTF Account – Cash Plan	All kinds of assets
Implication on assets upon demise	Subject to court probate process	Bypass court probate process	Bypass court probate process
Assets protected from creditors	No	No	Yes. Subject to Insolvency Act 1967
Ownership of assets in AHAM Account	Client	Client as primary account holder, AHTB as secondary account holder	AHTB will be the account holder upon the Trust setup
Payment of medical expenses during disability	No	No	Yes
Delay in assets distribution to beneficiaries	Generally no UNLESS there is a testamentary trust in Will	No. Immediate distribution to nominated beneficiaries within 14 working days	Yes
Payment of living, education and medical expenses for young children upon demise	Generally no UNLESS there is a testamentary trust in Will	No	Yes
Overcoming force-heirship rules for Muslims	No	No	Yes

Cost

The fees and charges to open and maintain a Beneficiary Account are:-

- Setup fee – RM100
- Trustee Fee (only chargeable upon investor’s demise) – 0.75% on the total investment value or minimum fee of RM500.00, whichever is higher.

Special Promotion

Setup fee of RM 100 will be waived from now until 31 December 2019. Reach out to your sales representative for more information. Terms and conditions apply. Visit <https://affinhwangam.com/beneficiary-account/> to learn more.

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