



Samathur Li Kin-kan (left), the son of billionaire Samuel Tak Lee, paid his ex-wife Florence Tsang a record HK\$1.2 billion in a divorce settlement. Photos: Wen Wei Po
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Family trust: passing wealth over generations

Family wealth succession is a fairly challenging topic, and news of a family feud from time to time well demonstrates the complexity of family wealth transition.

There is a saying that “wealth does not pass over three generations”. Chinese families often have been haunted by this.

It is closely linked with various risks facing these families. For example, the risk of divorce means the spouse could take away a large chunk of the family wealth.

In mainland China, couples are requested to divide their marital property evenly.

But in Hong Kong, both are entitled to half of each other’s entire assets.

Samathur Li Kin-kan, the son of billionaire Samuel Tak Lee, paid his ex-wife a record HK\$1.2 billion in a divorce settlement.

Rich families should set up an “asset firewall” to manage such risks. Family trust is one of the most efficient tools for this purpose.

A family trust is a trust set up to benefit members of the family.

The purpose of a family trust is for you to progressively transfer assets to the trust, so that legally you own no assets yourself, but for you, through the trust, to still have some control over the assets and benefit from those assets.

The trustees are responsible for administering the trust and manage the family wealth. Assets that can be allocated into the family trust include property, stocks, funds, business and insurance policy.

The goal of setting up a family trust is to transfer significant assets from personal ownership to ownership by the trust, while family members will become beneficiaries of the family trust.

The trust would protect the assets from threats from various directions, such as claims by business creditors or claims by ex-spouses or partners.

The assets in the trust are independent, and they are unaffected by various litigations or issues.

In addition, you can also make arrangements for saving tax as well as achieving the goal of doing charity.

Amen Lee, chairman of the Legacy Academy, believes the trust has very deep meanings.

T stands for togetherness and harmony within the family. Chinese give utmost importance to harmony, and family members should work together in making plans for family wealth succession for future generations.

R represents respect. A family trust divides family assets in a way that takes into account the family vision, mission and values.

U stands for understanding. A family trust should clearly express the expectations and needs of various family members.

S represents support. A family trust should support the needs of family members, as well as their personal aspirations.

T stands to talent. A good family trust requires talent and wisdom and forward-looking vision to benefit the descendants.

A family should make long-term plans and proper distribution of family wealth, as well as good principles and framework on how to distribute the wealth in order to mitigate risk in wealth succession.

The first generation of the family should kick off the plan, and make an assessment of the progress in family succession.

They should gather ideas and achieve agreement among family members and establish a family council as well as mediation mechanism.

The family vision, mission as well as constitution should be drafted to cement the family.

A family trust is the best gift and blessing for the family.

Allan Lee Ka-fai is the writer of this article, which appeared in the Hong Kong Economic Journal on April 22.

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