Plan wisely
Craft a lasting legacy

HSBC
Life

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Foreword

To most elderly people, planning their legacy means making a will. In Chinese society, however, this subject is often taboo. Even many seemingly open-minded families often drag their feet when it comes to turning talk into action, and end up creating numerous problems that could have been avoided.

This conservative attitude also gives rise to a host of misconceptions about legacy planning that are out of touch with the times.

A will is merely one of the many legacy planning tools available. This booklet has been conceived to shed light on the other options and help you evaluate the merits of each based on your needs. For example, you may not know that an insurance policy is also a legacy planning tool with a number of advantages.

Just as the moon waxes and wanes, everything exists as part of a natural cycle. Accepting this immutable law of nature will enable you to feel at ease and turn your attention to the next generation. You'll come to realise that legacy planning should be undertaken earlier rather than later. In this booklet, we'll also be looking at a new, phased approach to succession planning, which has even more advantages and may be a better fit for the needs of Hong Kong people.

At the same time, our life journey may take us far away from where we started. Who knows where someone or their children will be living in 10 years' time? Tax rates and tax systems vary across different locations. It is only by planning carefully that we can transfer our wealth to the next generation in the way that we want.

If you have a large extended family and need to plan succession to a family business, you'll also need to evaluate risks based on the personal conduct of different family members in order to ensure a smooth handover.

Other than money and business interests, are there deeper, more meaningful values that should be passed on but are not apparent at first glance? And, is the next generation expected only to repeat and replicate, or be encouraged to build on what they have inherited and break new ground? For those who are planning their succession, these questions will provide plenty of food for thought. This booklet also includes examples and interviews to help you plan for the future.

Legacy planning – where math meets art

Among the many areas of wealth management, legacy planning is the most difficult one to master.

That is not to say it is an arcane science. It just means that strong personal feelings are typically at play in legacy planning deliberations, thus making the thinking process less than rational.

When simple mathematics is tangled up in unnecessary fears, taboos and the sadness of parting, one tends to put off doing what needs to be done. But if an unexpected, serious illness strikes, you may not be able to allocate your wealth to your loved ones in time and according to your wishes. More worryingly, the absence of a clear legacy plan might divide even close-knit families and give rise to inheritance disputes; there is no shortage of such family feuds that have had to be resolved in court. This, of course, defeats the purpose of passing on one's wealth to future generations: to create a lasting family harmony.

The different stages of wealth management

If you want to plan your legacy well, you need to look at it rationally, and review your needs and options from the point of view of a wealth management professional.

Life is like a story with a number of chapters, one followed by another in a natural order. Understanding that this is all part of the cyclical nature of things will allow us to contemplate the stages of life with serenity and plan our legacy with a rational mind.

COMMENCE When we are young, we enter society, start learning and working hard for our future.

CONTINUE Next, we continue to accumulate experience, social connections, skills and money.

CHANGE We change course when we start our own business, then build it up carefully over many years.

COMBINE Finally, we pass on our experience and wisdom to a successor in the family. We encourage the next generation to make good use of the family's wealth, take what we have built and grow it into something even greater. Combining the work of two generations to create an enduring legacy, that's the ultimate purpose of a good succession.

Beyond the traditional Chinese perspective – a rational approach to wealth management

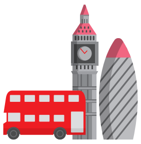
Developing a rational mindset about legacy planning is only the first step. You have a lot more to do.

The next chapter contains information on a number of legacy planning tools to help you weigh the pros and cons of each and select the one that fits your needs. Keep in mind that an estate is not limited to the physical assets recorded in a will. Digital or even virtual assets can be worth a fortune.

When it comes to making a will, there are things that are often misunderstood or overlooked. Some of them are listed below.

Many Hong Kong people who own overseas properties use a will to transfer their wealth[1,2,3]

Even if you've prepared a will, it may not be valid in other countries. Each country has its own legal and procedural requirements for making a will. Whether a country practises common law or civil law, it is always advisable to seek professional advice before deciding whether to make a will there. At the same time, your overseas properties are also subject to different inheritance laws in different jurisdictions. For example:

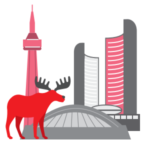


UK property

The Grant of Representation issued by a Hong Kong court can be certified in the UK, making the inheritance process relatively simple.

Thailand property

A will must be legally recognised in Thailand to be valid.



Canada property

To become valid, a will must be recognised and authenticated by the relevant authority.

Australia property

A will must be validated by the High Court of Australia before it can be executed.

Failure to clarify the validity of a previous will when making a new will

When someone immigrates to another country, their circumstances may change, so it's not uncommon to make a new will. But don't forget: every time you make a new will, it's imperative that you clearly specify whether it's meant to nullify an older will or supersede a will already made in another country. There is the case of someone who, after making a will in South Africa, revoked an older will by mistake, so that only the South Africa will remained in effect. In fact, the South Africa will only pertained to assets in that country. Since the older will had already been revoked, the testator would be unable to allocate other assets in the way they had intended[1].

As we can see, it's always important to plan your succession rationally, choose the right wealth transfer tool and start planning early. In Chapter 3, we will introduce a new concept: transferring wealth in phases, which can help you preserve your own wealth and maximise the benefit for future generations.

Is legacy planning only for wealthy people?

There is still a perception that legacy planning is only needed when there is a lot of wealth to be allocated. In fact, it's also needed in the following situations:

If you want to ensure a smooth transfer of your assets to your designated successor in accordance with your wishes

You have limited assets, but your children are still young and cannot manage the inheritance on their own

A relatively complex family structure

You own properties both locally and overseas

You need to pay inheritance tax

Regardless of the value of your assets, you should regularly review your changing circumstances and start planning early. After several years of the pandemic and uncertain prospects, there is a growing awareness of the need for asset planning among young people in Hong Kong. A volunteer lawyer points out that, in recent years, there has been a rise in the number of wills made by young people, the youngest of whom is about 20 years old[4]. This clearly indicates a shift in people's perceptions about estate planning.

1. Ming Pao: Wills are not only for the wealthy (15 November 2021)
2. LegalWills.ca: Probate in Canada - What it is, what it costs, how to reduce fees
3. SBS: Things you should know if you make a will while holding assets in different countries (27 May 2021)
4. Ming Pao: Making a will for charity, leaving a legacy for the world (6 March 2022)

Your legacy, your way

To ensure a smooth succession, you need to plan carefully, then choose the right legacy planning tool based on your needs. In Hong Kong, the most common tools include life insurance policies, wills and trusts. In recent years, more and more people are looking into solutions such as family charitable trusts and online wills as cost-effective ways to allocate wealth.

Overview of legacy planning tools in Hong Kong

Many people probably have a working knowledge of different legacy planning tools but may not be aware of the intricacies they should pay particular attention to. The table below is provided to help you choose the right solution for your needs.

Legacy planning tool	Life insurance	Will	Trust
Key points	• Allocating assets through a life insurance policy offers more flexibility and control than through property or other assets. • Beneficiaries don't have to be close family members; some insurance companies even recognise non-cohabiting partners and same-sex partners. • The death benefit can be paid by regularly scheduled instalments to prevent reckless spending by the beneficiary while ensuring long-term protection.	• The testator can revise their will at any time to re-allocate assets.	• A trustee or trust company is appointed to manage the estate. • Can prevent sale of the assets by parties other than the trustee. • The estate can be made available to the beneficiary in different stages to prevent reckless spending by the beneficiary[6].
Liquidity	• In Hong Kong, beneficiaries of life insurance policies can receive their inheritance directly, without going through probate. That means assets don't need to be frozen, and the beneficiary's liquidity is ensured.	• Assets are required to be frozen and audited during probate application. This may create liquidity problems if the beneficiary needs the assets for financial support[2].	• The term of a trust in Hong Kong can be as long as several decades. Once a trust is activated, it is very difficult to terminate or withdraw money from it[6].
Value preservation	• Some life insurance policies include a savings component and pay non-guaranteed dividends and bonuses to help accumulate cash value. • Some plans offer the option to lock in the policy's value to ensure financial security.	• No value preservation.	• Trustees seek to preserve the value of the assets by making professional investments. The trustor can specify the preferred areas of investment, such as stocks, bonds, real estate, etc[6].
Cost	• Depends on the policy. Generally, no additional fees are required.	• The fee for making a will varies from case to case. Please consult legal professionals for details and advice.	• Different banks charge different fees for setting up a trust. An annual management fee is also charged, equal to approximately 1% to 2% of the value of the assets[7].
Processing time	• Generally, the death benefit claim process can be completed within several weeks (depending on the circumstances and the insurance company), which is less time than is required for a will.	• The executor of a will is required to apply for a Grant of Representation before the estate can be accessed. In simple probate cases, 5 to 7 weeks may be needed[3].	• The time it takes to set up a trust depends on the complexity of the estate. Once the trust is set up, assets can be allocated. A trust can continue to operate both before and after the death of the trustor.
Risks	• According to the Bankruptcy Ordinance, a trustee can take control of all the assets (including life insurance policies) a bankrupt person is entitled to[1]. • Policy surrender before the policy breaks even may result in financial loss.	• If the legality of a will is challenged, the beneficiary may be required to prove the testator's intent and mental capacity when making the will[4]. • Even if a will exists, the court can invoke the Inheritance (Provision for Family and Dependants) Ordinance to order the allocation of part of the estate to specific family members or dependents[5].	• Generally, trusts offer limited transparency. For information on services, fees and terms and conditions, please seek independent professional advice. • If the trust company closes, the operation of the trust will be severely affected.

1. Bankruptcy Ordinance, Cap. 6, Laws of Hong Kong
2. Hong Kong Economic Times: Understanding the options for managing an estate (12 May 2021)
3. High Court: Probate Registry - Guide to Court Services (May 2020)
4. Community Legal Information Centre, The Law and Technology Centre of The University of Hong Kong: What are the formalities of making a will? (25 February 2020)
5. Community Legal Information Centre, The Law and Technology Centre of The University of Hong Kong: Probate (25 February 2020)
6. Institute of Financial Planners of Hong Kong: Estate planning
7. Hong Kong Economic Times: What advantages does a family trust have for wealthy people? How much does it cost to set one up? (27 May 2020)

Legacy planning tool	Insurance trust	Gift	Enduring power of attorney (EPA)
Key points	• Assets can be distributed in accordance with the wishes of the trustor, who can also specify how and when the beneficiary receives payments as a way to support the needs of different life stages[8]. • Since an insurance trust is not subject to probate, assets don't have to be frozen[8]. • If the successor is a minor, an independent trustee can oversee the custodian's work[8].	• There are no restrictions on who can be the recipient of a gift; it can be given to a family member or a charity as a way to give back to society. • For information on the requirements for gift-giving, please seek professional advice.	• More than one trustee can be appointed to ensure individual family members (such as an elderly spouse) don't have to be burdened with the management of the assets[11].
Liquidity	• During the trustor's lifetime, an insurance trust is in standby mode. Since no capital has been injected into the trust, more capital is available for flexible allocation[9].	• Not applicable.	• Not applicable.
Value preservation	• Depends on the performance of the life insurance policy.	• No value preservation.	• No value preservation.
Cost	• The fee for setting up an insurance trust is determined by individual service providers. A management fee (more than 1% of net asset value) is charged only after the trust is activated, which helps keep costs down[9].	• No fees involved.	• EPAs are set up through lawyers or registered doctors; fees vary across different law firms and companies. Please consult lawyers and other legal professionals for more information and advice.
Processing time	• For simple assets such as cash deposits and insurance policies, a trust can be set up in as little as 1 to 2 weeks. From standby mode to activation, the time required depends on the death benefit claim procedures.	• Gifts are not required to go through the probate process.	• Since an EPA only takes effect when the trustor becomes mentally incapacitated, processing time cannot be estimated.
Risks	• The beneficiary of the life insurance policy is the trust company. If the trust company closes down, the beneficiary will be affected.	• In divorce proceedings, if one side attempts to cause the other side's financial aid application to be unsuccessful by making certain arrangements regarding the assets (including gifts), the court can invalidate those arrangements[10]. • If the gift giver declares bankruptcy, the bankruptcy trustee can demand the return of the gifted assets[1].	• An EPA signed in the presence of a doctor is not yet legally binding; to become a legal document, it must be witnessed and signed by an attorney and registered in a high court[11]. • EPAs only take effect when the principal becomes mentally incapacitated, which is an extraordinary circumstance. If the trustor recovers their mental capacity, the EPA may be revoked[11]. • Once the principal declares bankruptcy or passes away, the EPA will become invalid[11].

8. Hong Kong Economic Times: A legal tool combining life insurance and trusts (10 April 2021)
9. BBC: Business opportunities emerging from silver hair market (12 July 2016)
10. Matrimonial Proceedings and Property Ordinance, Cap. 192, Laws of Hong Kong
11. Department of Justice: Enduring Power of Attorney - General Information

Taking care of your digital assets

In the digital age, some assets have changed from physical to virtual. Generally, digital assets are stored in computer files. Such assets include:

Even though opinions differ on their actual value, digital assets have become transferrable and thus require for careful planning.

Let's take the most common digital assets – online accounts – as an example. You can tell your family members the login details for your Google and Facebook accounts, or pre-set inactive period time limits, appoint a legacy contact, etc, as pre-arrangements for the transfer of these accounts. If you use an iPhone, you can use the Digital Legacy function to designate up to five persons to take control of your iCloud account and personal information as a way to pass on your digital assets[1].

For cryptocurrencies and digital artworks, blockchain is used to give each item a unique identity. Once uploaded, data cannot be changed or forgotten, and buy/sell or transfer records will forever be traceable[2]. The owners of these assets should ensure that the relevant computer files, passwords, etc, are stored properly for future legacy planning purposes.

Expedited application for online wills

Since making a traditional will is a complicated process, some IT professionals have launched online will-making services. All a customer has to do to make a will online is visit one of these websites, provide their personal information, specify the contents of the will (eg, will executor, asset allocation) and include a list of their assets. An application can be submitted in as fast as 15 minutes[3]. Most of the procedures can be completed online, thus greatly reducing the stress of visiting law offices in person.

The customer will receive the will, the list of assets and other documents in about two working days. Once the will is signed in the presence of a witness, it becomes legally binding. Caveat: it is exactly because the process is so fast and simple that you should exercise extra caution to ensure the will is entirely consistent with your wishes.

Under Hong Kong law, any person who has attained the age of 18 can make a will[4] as an official declaration of their wishes. Making a will online is therefore an option worth considering for Hong Kong people who have a sizable collection of assets to manage.

1. unwire.hk: iOS 15.2 launches new Digital Legacy + Apple Music Voice Plan (14 December 2021)
2. City University of Hong Kong: Blockchain, a revolution in e-commerce
3. Hong Kong Economic Journal: Woman lawyer simplifies will-making with technology and sets up online platform in light of inheritance disputes (9 May 2022)
4. Community Legal Information Centre, The Law and Technology Centre of The University of Hong Kong: Making a will (25 February 2020)

Donating to charity to help society and future generations

A survey has found that 30% of the young heirs of prominent families in the Greater China area are actively taking part in public service and charity work[5]. In doing so, they are not only preparing themselves for the responsibility of their future inheritance, but sharing their family's values with the public. Many set up family charitable trusts to give assets a legal basis and facilitate independent management. Trust assets range from cash, stocks, properties, collectibles, intellectual property, to gifts and assets loaned to others. The sheer quantity and variety of assets often call for the expertise of a professional manager.

Things to remember about using a charitable trust for legacy planning purposes:

- Find an experienced asset manager who understands the family's values and has the capabilities to support long-term commitments.
- Family members should communicate often and reach a consensus on goals and values, so they can face challenges together.
- Start planning early; it makes it easier to solve problems and achieve good results.

Managing the family business is a big responsibility, and it's important to ensure young heirs are ready to take over the reins. Training is indispensable. Arrange for them to study, intern and work abroad. These valuable experiences will help them build a strong foundation.

Charity has no geographic boundaries. Some prominent families in other countries have even set aside large parts of their estates for charitable purposes. Last year, Warren Buffett gave away Berkshire Hathaway stocks worth USD4 billion to five charity organisations, bringing his total donation over the years to USD45.5 billion[6]. Around the world, he is celebrated as much for his philanthropy as for his investment prowess.

In Hong Kong, charitable donations come not only from the wealthy, but from pop stars and celebrities too. One example is singer-songwriter Serrini. After receiving her PhD from the University of Hong Kong, she set up the Serrini Scholarship to help young HKU students who need financial support[7]. She may have no heirs, but her values can still be passed on to future generations.

5. Ming Pao: Second generations of wealthy families actively taking part in charitable efforts (19 December 2022)
6. Hong Kong Economic Times: Warren Buffett donates USD4 billion in Berkshire Hathaway stocks to 5 charities, for a total charitable donation of USD45.5 billion (15 June 2022)
7. Ming Pao: Serrini Scholarship requires GPA of at least 3.3 (18 October 2021)

Transferring wealth in phases The new approach to preserving family wealth

What is wealth transfer in phases? Traditionally, an legacy is executed once, in its entirety. With the new approach, however, different parts of an estate are distributed in successive phases to ensure the best timing.

The results of a survey by the Hong Kong Baptist University several years ago showed more than 75% of Hong Kong people over the age of 55 did not manage their assets through proper channels[1] (making a will or enduring power of attorney, setting up a trust, etc). And of the 220 million senior citizens in China, only 1% had made a will[2].

To Chinese people, saving money is a virtue; their wealth management philosophy often revolves around the admonition to "save for a rainy day". Many elderly people, however, are much better at holding on to their wealth than letting go. Worse, they see legacy planning as a taboo, and keep putting off doing the right thing. Sadly, some pass away from sudden illness without having allocated their assets to loved ones in the way they wanted to.

As mentioned in Chapter 1, to ensure a smooth succession, we need to jettison our traditional Chinese emotional baggage in favour of rational thinking. As for implementation, it would be a very good idea to adopt the dual strategy of early planning + transfer in phases.

1. Centre for the Advancement of Social Sciences Research, Hong Kong Baptist University: Press Conference on Research on "Elderly Needs for Public Trusts" (2 June 2018)
2. Hong Kong Economic Times: Making a will starts with breaking a taboo (21 May 2022)

How early legacy planning can benefit you

Take time to choose the right tool
There are six or seven common legacy planning tools on the market. Planning early gives you time to do the necessary research on these tools, seek professional advice from lawyers and financial consultants, and find the best proposal for yourself and your heirs.

Take time to evaluate character and conduct
In an age when women outnumber men, marriage and birth rates are dropping but divorce rates are on the rise, planning early will give you more time to think carefully. Do your sons-in-law and daughters-in-law deserve your largess? Will they file for divorce once you've passed away and they have received their shares? These questions involve personal character and ethical standards, and require patient observation. In other words, you need time to decide a fair distribution of your assets, one that will preserve family harmony for generations to come.

Take time to pass on your family's wisdom
Unlike wealth, skills cannot be passed on to the next generation overnight. Examples include Chinese chiropractic skills, martial arts, skills for cooking authentic cuisines, music, bamboo scaffolding, etc. Even if someone in the family is interested in learning these skills, the transfer process can take up to 10 years to complete.

Take time to bring out the potential of your wealth
If a legacy planning tool involves the funds in a family trust, insurance or even investments, the earlier you start, the more time the capital will have to accumulate, through compound interest, for example, or returns from sustained economic growth.

Advantages of transferring wealth in phases

With a phased approach, the different parts of an estate are transferred in successive phases to ensure the most equitable distribution for both the elders and the younger generation.

Managing the "risk of irresponsible children"
As we all know, Hong Kong people have taken the world longevity crown for a number of years[3]. This distinction, however, is accompanied by the fourth highest cost of living in the world[4]. In such an environment, elders who give all their wealth to their heirs too early risk losing their sense of security. If the children then refuse to care for their elders in return, golden years may turn into hard times. That's why wealth transfer should not take place too late or too early.

Managing the "risk of longevity"
We've always wished our elders a long life. Little did we know that Hong Kong would overtake Japan to become the city with the world's longest life expectancy for many consecutive years. Many of the wealth management products popular with elderly people, such as insurance policies, annuity plans and reverse mortgages, already offer coverage until the age of 100. Longevity is no doubt a good thing, but the cost of living in Hong Kong is consistently among the highest in the world. And who knows? Maybe in 20 years' time, the average life expectancy in Hong Kong will be well over 100 years. The need to guard against the risk of longevity is therefore another reason why we should not transfer our wealth too early.

Managing the "risk of inflation"
Inflation erodes the purchasing power of our cash. Even more worrying is the hyperinflation[5, 6] that has been in the news for several years. Since 1922, this terrifying phenomenon has hit different parts of the world; its past victims include Germany, Russia, Romania, China, Venezuela and other countries. Indeed, hyperinflation grows so fast and is so devastating, it's like something out of a horror movie. That's why you need to be aware of the danger of passing on your wealth prematurely and maintaining an undiversified investment portfolio. To manage your risk exposure, updating your portfolio mix regularly is a must.

Managing the different needs of two generations
When it's time to transfer their wealth, people may consider relocating to a place with a lower cost of living as a way to help preserve the family's wealth. On the other hand, it takes money to help young family members pursue their dreams. Their needs can't wait either. That's why estate owners should complete the different phases of their legacy planning during their lifetime to cover the costs of education, occupational training, starting a business, getting married, buying a property, immigration, etc.

3. Yahoo! News: Hong Kong has world's longest life expectancy for 7th consecutive year (8 September 2021)
4. Yahoo! News: Hong Kong cost of living 4th highest in the world; New York and Singapore share top spot (1 December 2022)
5. Hong Kong Economic Times: Inflation in Venezuela to hit 1,000,000% at year end. One billion dollars for a can of Coke? (24 July 2018)
6. Wikipedia: Hyperinflation (21 October 2022)

Helping the next generation move towards their goals

As stated in a previous chapter, the objective of legacy planning is to preserve family harmony. Other than growing the family's wealth through the use of appropriate legacy planning tools, the estate owner is obliged to treat each family member fairly, ensuring they will have the funds they need at critical moments in their life to reach their personal goals. That beauty of money is most apparent in these scenarios:

Bringing up the next generation

The cost of education in Hong Kong is constantly on the rise, and studying overseas at a top university is an even more expensive proposition. But, if a young heir is gifted and their family is financially capable, they should never settle for less than the best when choosing a programme and university.

Some more progressive families may think that a degree from a traditional university may no longer guarantee competitiveness. They are willing to mobilise more resources and let their children take greater risks, encouraging them to pursue their dreams of becoming future football stars / professional tennis players / golfers / esports players / entertainers / car racers / pianists, etc. All these aspirations, however, have high entry barriers – expensive tuition and rigorous age restrictions. That's why they represent another form of wealth transfer that can't wait.

Supporting wedding plans

Even though marriage rates are falling worldwide, prominent families, especially Chinese ones, still prefer maintaining a lively household and growing the family tree. As the pandemic subsides, lavish wedding banquets and long overseas honeymoons are coming back. These are happy expenses that can't wait, and the family on both sides would no doubt be glad to help.

Starting a family means buying property or eventually relocating. These are major decisions that require financial support from older generations. Big families have many members. If the family trust holds many properties generating a large rental income, it's a good idea to talk to each family member of marriageable age and find out what their plans are. If they plan to stay in Hong Kong, the family can transfer ownership of a property to them. If they want to live overseas, they can sell the property they have been given and cash in. The important thing is to avoid making assumptions.

Fostering business ambitions

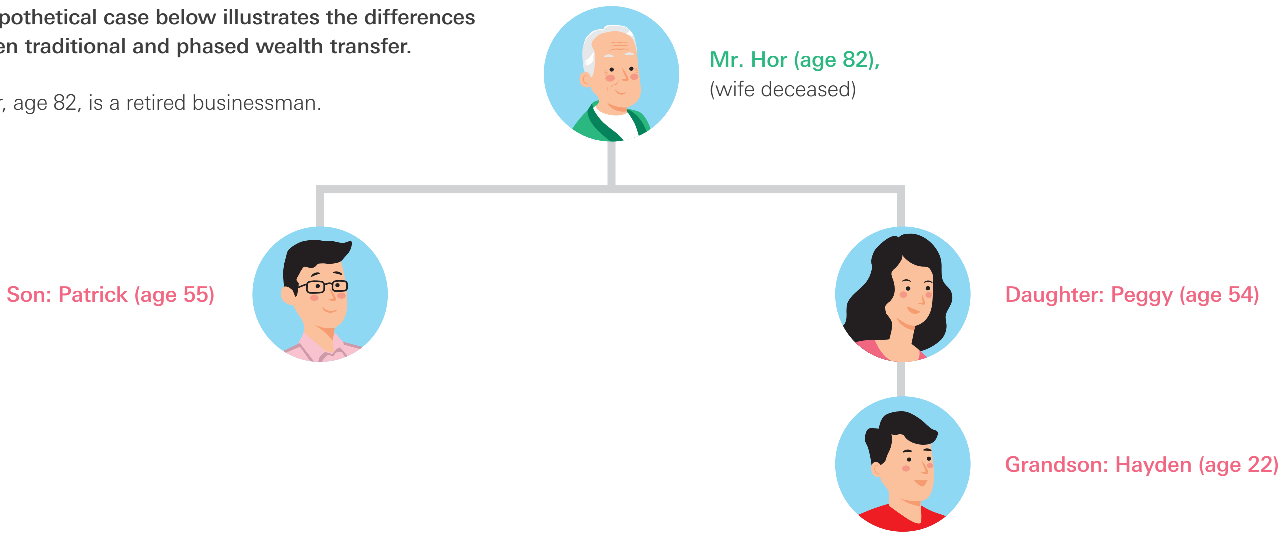
Internet start-ups and the so-called unicorns that have risen to prominence over the past 20 years all originated from new trends in society, technology and capital markets, and succeeded by taking advantage of fleeting opportunities. When the next opportunity appears, and you are backed by your family's financial resources, maybe you too can do something big!

Assess someone's character over time for greater planning flexibility

After completing the initial phase of the wealth transfer, take time to observe your children's behaviour. Have they changed the way they treat you? Are they still getting along with their siblings? Based on your observations, you can then adjust the asset allocations – who will get what and how – for the later stages of the succession. This is the biggest advantage of transferring wealth in phases.

The hypothetical case below illustrates the differences between traditional and phased wealth transfer.

Mr. Hor, age 82, is a retired businessman.



Key events on Mr. Hor's life journey

Age 40

His wife passes away after an illness, and he realises how unpredictable life is.

He has prepared adequate medical protection, funds for hiring a long-term caregiver in the future, and a retirement reserve.

Age 50

His business is flourishing, and his children have become independent.

His son Patrick, 23, is working, while his daughter Peggy, 22, is graduating from university.

Age 60

After working hard for family and career in the first half of his life, he is starting to plan his retirement and preparing to live life the way he wants.

Peggy, 32, gives birth to her son, Hayden, Mr. Hor's first grandchild.

Age 65

He moves to Thailand, where the cost of living is lower than in Hong Kong. In his spare time, he volunteers at an elephant orphanage and opens a new chapter in his life.

Age 82

Enjoying his golden years, Mr. Hor is healthy and living comfortably.

He is gratified by the news that his grandson Hayden, 22, has been admitted to medical school.

Traditional legacy planning

Mr. Hor | His descendants

Age 50 – Mr. Hor

Has regular investments and insurance protection, but has not done any asset planning for the next generation.

Age 82 – Mr. Hor

As he's getting on in years, he starts planning his estate.

After deducting his living expenses, he allocates equal shares of his wealth to his son, daughter and grandchild. But he has to prepare for the risk of longevity. That, coupled with years of inflation, has reduced the size of the estate inherited by the next generation.

Age 82 – His descendants

Patrick, who has yet to buy his own property, wants to open a start-up to develop AI software. But his inheritance is enough for only one of those needs.

Peggy decides to go back to school, and uses her inheritance to study for a master's degree in Hong Kong.

Hayden decides to save his small inheritance for opening his own medical clinic in 10 years' time.

Wealth transfer in phases

Mr. Hor | His descendants

Age 40 – Mr. Hor

Seeing his children growing up gradually makes him realise the importance of early legacy planning. He starts building his estate and plans to transfer it to the next generation in phases to help them reach their goals.

Age 50 – Mr. Hor

He starts distributing his assets to his children in phases.

Age 50 – His descendants

Patrick has a steady girlfriend, and, like many young people, is enjoying the freedom of living with his girlfriend. Thanks to his father's early asset planning, he has money to make the down payment on a property in preparation for getting married in the near future.

Peggy graduates from university with honours and plans to go on to pursue her master's degree, supported by her early inheritance.

Age 60 – Mr. Hor

Excited by the arrival of his first grandchild, Mr. Hor re-allocates assets. He withdraws part of the cash value of one of his annuity plans as a gift for his grandchild.

Age 60 – His descendants

Peggy uses Hayden's inheritance to purchase a savings insurance policy and earn interest.

Age 82 – Mr. Hor

After years of observation, he's glad to see that his children share a strong bond and treat him very well. Reassured, he re-allocates his wealth again.

Years ago, he purchased an annuity plan, which is now generating sufficient income to cover his monthly expenses.

Age 82 – His descendants

Patrick uses his share of the estate to open a company to develop AI software.

Hayden keeps his inheritance in his bank account to accumulate interest. The money would be enough for him to open a clinic in the future.

Reassured by her son's good prospects, Peggy immigrates with her husband to Canada, where she realises her dream of studying for her PhD.

The above example illustrates the importance of making a legacy plan early, and executing it in phases. That way, you can give your children timely financial support at different stages of their lives.

Asset planning – there's always more to learn

We've looked at a number of legacy planning tools. No matter which one is for you, there are other important things you should know, including various taxes and risks.

Wherever you are, know your taxes

An increasing number of Hong Kong people are moving overseas for a taste of a different culture and way of life. Among them are many individuals with financial capability. In addition to growing their wealth, they also need to think about tax obligations and legacy planning. For example, they may want to keep or sell their Hong Kong assets after immigrating. In either case, would they need to pay tax in two jurisdictions?

Capital gains tax on property

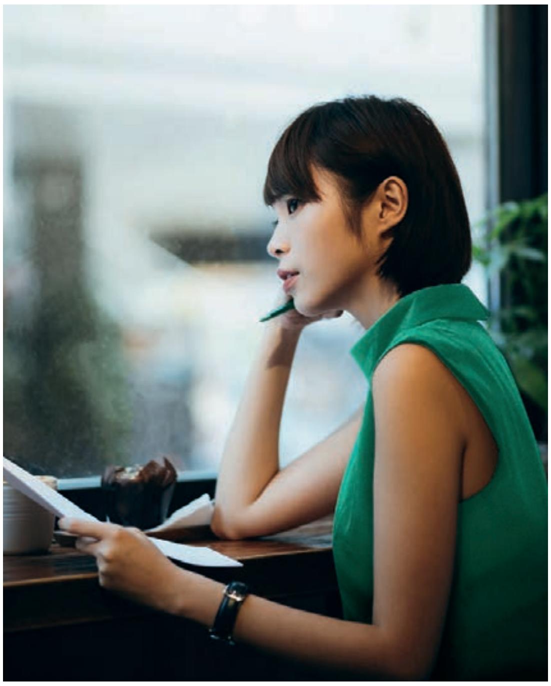
Some Hong Kong people planning to immigrate own properties in Hong Kong. If they choose to keep their properties, they may incur a capital gains tax when they sell them in the future. In the UK, for example, a capital gains tax of up to 28% is applicable[1]. Heirs to family wealth may have to pay an inheritance tax. To find out how best to manage your assets and improve tax efficiency, talk to a tax consultant.

Inheritance tax

Inheritance tax was abolished in Hong Kong in 2006, but many popular immigration destinations do levy an inheritance tax or other taxes (eg, capital gains tax, personal income tax, gift tax, etc). The tax rates vary, but generally range from approximately 10% to 50%[2]. Clearly, careful planning is needed. For details, please visit the websites of different national tax authorities, or seek professional advice.

Are gifts exempt from estate tax?

Not necessarily. In some countries, assets gifted to others by a taxpayer several years before their death are exempt from estate tax, but there is still a taxable period. In the UK, for instance, the period is seven years; assets gifted to others within seven years of the owner's passing are subject to an estate tax of 8% to 40%. Tax exemption only applies to gifts that are more than seven years old[3].



7-year rule, UK estate tax[3]

No. of years between gifting of assets and date of death	Estate tax rate
0 to 3 years	40%
3 to 4 years	32%
4 to 5 years	24%
5 to 6 years	16%
6 to 7 years	8%
7 years or above	0%

Taiwan has similar rules. Based on information from official sources, assets gifted within two years of a taxpayer's death are considered part of the estate[4]. So, talk to a tax consultant and make a good legacy plan for the next generation.

Managing Hong Kong assets

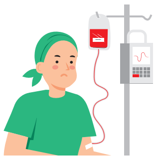
After immigrating, you can authorise a third party to manage your Hong Kong finances on your behalf, including property rental, tax returns, stocks, trust funds, etc. Some multinational companies offer professional management teams to back you up 24 hours a day with no time zone restrictions, helping you seize opportunities anytime[5].

Scan this QR code to watch the video and check the relevant tax information

1. Yahoo! News: Selling property after immigrating to the UK might incur capital gains tax of up to 28% (16 April 2022)
2. Websites of tax authorities of major immigration destinations
3. HM Revenue and Customs: How Inheritance Tax works: thresholds, rules and allowances
4. Laws & Regulations Database of The Republic of China (Taiwan): Inheritance tax and gift tax (20 January 2021)
5. Hong Kong Economic Journal: Managing cross-border assets with legal tools (28 August 2021)

Managing the six major risks in legacy planning

Making a family succession plan enables us to cope with unexpected events. But the plan itself may also involve different risks, making it hard to execute. In addition, after coping with the pandemic and other uncertainties over the past few years, how should we manage risks and plan our legacy?

	Legacy planning Risk	Solution
	**Family members' health problems** Even if you have a long-term plan in place, a family member may become ill at any time, which could make it difficult to implement the plan and lead to even greater financial loss.	Prepare for the unexpected; consider acquiring life insurance, and medical and critical illness protection plans to cover health risks.
	**Mixing company and personal assets** Some companies fail to clearly distinguish between company holdings and private family assets. When a company is experiencing problems – financial losses, breach of contract or bankruptcy – the family may be implicated and lose some of its assets.	One of the solutions is to set up a family trust fund. This makes it possible to isolate some of the assets[6] for independent management, thus shielding them from the risks the company is exposed to. It also has the effect of preventing assets from falling into the wrong hands and preserving the wealth of the family.
	**Personal indebtedness** Personal debts or credit crises may impact family assets and create liabilities for the family.	Before a credit crisis occurs, you can allocate part of the assets to an insurance policy or trust, thus placing them under the management of experts to ensure effective legacy planning[7].
	**Late planning** Whether allocating assets or arranging successors, you need to plan early and execute your plan in a timely manner. Failure to do so may result in chaos and confusion, and disrupt family harmony.	To counter this risk, you can designate an irrevocable beneficiary through your life insurance policy; no changes can be made without the beneficiary's consent[8]. The earlier you start planning, the earlier you can put together a proposal to the satisfaction of all parties concerned, so they can share in the family's success and build a greater future together.
	**Marital discord** Life is unpredictable, and so is marriage. Under Hong Kong law, if a person makes a will and subsequently marries or re-marries, the will is nullified[9], directly affecting the original succession plan.	If there are changes in a relationship, review your asset management, ie, revise your will, or use a life insurance policy as a legacy planning tool.
	**Reckless spending** If young family members are not good at managing finances or spend recklessly after receiving their inheritance, they might drain the family coffers and tarnish the family's reputation.	Teach your children to manage money wisely, complementing their financial education with appropriate legacy planning tools: some annuity plans include a death benefit and allow payment by instalments to help younger generations improve their financial habits.

A family estate is like a big tree that provides shade to the next generation. Its value is incalculable. For those who are preparing to pass the baton to the next generation, the key to a smooth succession will always be careful and early planning.

6. Hong Kong Economic Times: Differences between Hong Kong and mainland trusts (8 April 2021)
7. Ernst & Young: Insurance - exceptional tool for lowering 8 key risks of wealth transfer (5 May 2020)
8. Community Legal Information Centre, The Law and Technology Centre of The University of Hong Kong: What's the difference between a 'Revocable Beneficiary' and an 'Irrevocable Beneficiary' (26 February 2020)
9. Community Legal Information Centre, The Law and Technology Centre of The University of Hong Kong: Probate (25 February 2020)

Passing on something more valuable than money – wisdom

Every family wants to pass its wealth to posterity. But it is just as important for future generations to inherit the necessary skills to manage the family's wealth and business. That is the only way to ensure not only continuity but growth for the family legacy.

There is the case of a member of an European royal family who made a will as a way to prepare his legacy. After his death, equal shares of his estate were allocated to his two sons. His will also stipulated that the two heirs could only receive their inheritances after reaching the age of 25. This not only prevented premature spending, but allowed the family wealth to further accumulate investment returns and interest[1]. His astute planning ensured that his sons would inherit not only his wealth but the wisdom to make good use of it. In Hong Kong, the heads of some prominent families have also used their wills to place age restrictions on the inheritance of their estates. The location is different, but the purpose is the same.

Don't give them fish, teach them how to fish.

Started with nothing, built an empire. That's the story of many first-generation entrepreneurs. They were the ones who, at the juncture between changing times and rising opportunities, saw the potential of a family heirloom – a medical formula or skill, a culinary technique or recipe – and turned it into an enduring brand. They had no financial support to rely on, only hard work and perseverance. But little by little, they built up their businesses. And they didn't just raise a family. They created a family dynasty spanning a century or more.

That's why money is not the only thing worth preserving for future generations.

One vision in 200 years

Brands that have been around for 100 years are rare anywhere in the world. Rarer still are the ones that have been in business for two centuries. In Hong Kong, there is a Chinese patent medicine brand that was founded two centuries ago[2] and is still going strong. Its story is based on family values we can all learn from.

Making medicine, saving lives

When the business was founded, modern medicine was still in its infancy and the medical system was anything but developed. Illnesses were mostly treated with over-the-counter Chinese herbal medicines. Many ordinary people could not afford expensive medicines. Some died because they were not treated in time[3]. The founder of the medicine factory decided to lower prices to make his products affordable to everyone.

New machines, old traditions

Today, the brand is managed by the family's fifth generation. Its products have been 'Made in Hong Kong' since the beginning, and the principle laid down by the founder – "Make medicine with conscience" – still guides every facet of the operation. In 1966, the company self-financed the construction of a new production plant in Chai Wan to raise productivity and ensure even higher quality.

Today, the company continues to uphold its time-honoured people-first culture. Management and employees still celebrate important festivals together. There are lucky draws and company trips too. Its respect for traditional values is also evident in the fact that two meals a day are provided for its employees for free, creating a sense of belonging that simply cannot be found in large overseas pharmaceutical plants.

1. Wikipedia: Diana, Princess of Wales (18 January 2023)
2. AM730: Mak Pak Leung – A 200-year legend; stars turn out in force to celebrate a 5-generation heritage (15 November 2022)
3. AM730: Staying true for 200 years – 5 generations dedicated themselves to making medicines to save lives. An interview with Ma Pak Leung's 5th generation brand guardian, Mr Ma Ho Wah (24 October 2022)

Sowing the seeds of wealth management wisdom[4,5]

We have looked at the strong heritage that has kept a business thriving for 200 years in the East. Now let's travel to another part of the world, to find inspiration in the enduring wisdom of a wealth management guru of the West.

In 1874, George Samuel Clason, the pre-eminent financial educator of his time, was born in Missouri, USA. He lived for 83 years. During his lifetime, he became known as the author of a number of important books. The most celebrated of his works is 'The Richest Man in Babylon', a collection of parables written to dispense common sense advice on different aspects of personal financial management, including savings, debt, investment, wealth creation and more. Today, the book is still regarded worldwide as a classic in the literature on the subject.

The keys to successful wealth management

Clason's emphasis on financial prudence has had a profound impact. The book's influence is still felt almost a century after its publication; it is frequently quoted by contemporary motivational speakers and financial writers to inspire today's audiences. Clason has left behind a blueprint for achieving personal financial wellbeing that millions of readers have been heirs to; his is a legacy of wisdom that is more valuable even than a bequest of wealth.

Excerpts from 'The Richest man in Babylon' by George Samuel Clason

Wealth, like a tree, grows from a tiny seed. The sooner you plant that seed the sooner shall the tree grow.

A man's wealth is not in the coins in his purse. It is in his income.

The laws of money are like the laws of gravity: assured and unchanging.

Buy life insurance. Provide in advance for the protection of your family.

The soul of a free man looks at the world as a series of problems to be solved.

History repeats itself in different ways. In both the East and the West, there have been trailblazers who had the foresight to leave behind a wealth of valuable experience. Learning from it will help future generations make the right decisions as they continue to pass on their families' wealth to posterity.

4. Wikipedia: George Samuel Clason (30 December 2022)
5. George Clason, The Richest Man in Babylon (1926)

Case study

Legacy planning – enabling future generations to share wealth

Janet, 46, and her husband are both chartered accountants. Their son Marshall is 18 and attending business school at university. The couple are not only planning their retirement but looking for ways to pass on the wealth they have accumulated to the next generation. Janet wants to put aside a sum of money to support Marshall's career goals and as his wedding gift later in life, while building a retirement reserve to ensure a good quality of life for herself and her husband in the future.

She takes up HSBC Ultra Wealth Goal Insurance Plan with herself as the policyholder and Marshall as the life insured, and makes a lump sum premium payment of USD2,000,000.

Policyholder:	Janet (aged 46*)	**Life insured:**	Marshall (son, aged 18*)
Single premium:	USD2,000,000		

Notes:
* Age means the age of the life insured or the policyholder where applicable at his/her next birthday
# The term and conditions and the total cash value under each of split policies in aggregate will be the same of your original policy.
• The figures shown in the above are subject to rounding adjustment and are for illustrative purposes only. You should refer to your insurance proposal for illustrated figures and details.
• The case shown above are hypothetical and provided for illustrative purposes only.
• No extra cost will be charged for exercising Policy Split Option.

In the 10th policy year

Marshall has been building up his career for several years. He is now 28*, and decides to realise his dream of starting his own business and marry his girlfriend.

Janet exercises the split policy option and simultaneously transfers policy ownership to Marshall and changes the life insured. By making Marshall the policyholder and life insured, she is able to transfer 40% of the policy value to Marshall as start-up capital for his business and as his wedding gift.

Marshall subsequently withdraws USD100,000 from the policy as startup capital for establishing his business.

Janet (aged 56*)

Policy A (original policy)

Policy amount: USD2,000,000

Total cash value: USD2,578,000#

60%

40%

Janet (aged 56*)

Policy B1

Policy amount: USD1,200,000

Total cash value: USD1,546,800#

Marshall (aged 28*)

Policy B2

Policy amount: USD800,000

Total cash value: USD1,031,200#

In the 13th policy year

Marshall splits the policy into two to put an education fund in place for his son Martin. Since Martin is a minor, his policy is held by Marshall, who also appoints his wife Elaine as the contingent policyholder to ensure that, if he passes away, Elaine will take over the management of the juvenile policy and continue to accumulate its potential benefits and cash value, eventually passing the policy to their son.

Watching over the next generation through legacy planning

By exercising the split policy option, Janet divides the original policies into new policy B1, B2, C1 and C2 to facilitate her legacy planning and asset allocation, thus successfully passing on her wealth to the next generation.

Changing the life insured to enable inter-generational planning

Janet transfers her policy B1 to her son Marshall, who becomes the new policyholder and life insured, thereby inheriting all the rights to the policy as well as its benefits and value.

Marshall (aged 31*)

Policy B2

Policy amount: USD722,420

Total cash value: USD1,074,239#

50%

50%

Marshall (aged 31*)

Policy C1

Policy amount: USD361,210

Total cash value: USD537,120#

Martin (aged 2*)

Policy C2

Policy amount: USD361,210

Policyholder:
Marshall (aged 31)

Contingency policyholder:
Elaine (Marshall's wife)

Life insured:
Martin (Marshall's son)

Total cash value: USD537,120#

- The conditions for exercising Policy Split Option include:
  - The policy amount of split polices must not be less than the minimum amount requirement as may be determined by the Company from time to time; and
  - The Policy is without any assignment: (a) at the time of the application of Policy Split Option and (b) prior to the policy split; and
  - No policy loan has been taken out while the Policy is in force.
- Once the application to split the Policy is accepted, the original policy will be terminated and all benefits, terms and conditions of the original policy shall apply to the split policies. For details about the Policy Split Option, please refer to the section "Product summary" and the policy provisions.
- In respect of any application for exercising the Policy Split Option, the Company shall have the absolute right and discretion.

Case study

Wealth growth and equal distribution - efficiency of planning

Jeffrey, 50, and his wife are both professionals. They have a 22-year-old son and a 20-year-old daughter. The couple are looking forward to enjoying life in their retirement, but also want to transfer the wealth they have accumulated over the years to the next generation. Their property and other assets have a combined value of approximately USD2.36 million, which they hope to divide into equal shares to be passed on to their children after they have passed away.

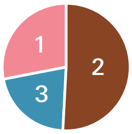
Notes:
- All figures shown above are hypothetical and provided for illustrative purposes only and are rounded off. For details, please refer to the figures in your policy proposal.
- The case shown above are hypothetical and provided for illustrative purposes only.
- Cash Value is calculated based on the prevailing hypothetical rate of return and includes the projected guaranteed cash value and projected special bonus. The amount of the special bonus is not guaranteed. Consequently, the return shown above is not guaranteed and is provided for illustrative purposes only.
- Assumption: the life insured is a non-smoker with no special health conditions.

Jeffrey

With just a will as his legacy planning tool

Jeffrey's assets do not include an insurance policy. He has reserved part of his non-property assets as his retirement reserve; the rest is cash.

1. **Idle cash: USD660,000**
2. **Property value: USD1.2 million**
3. **Retirement reserve: USD500,000**

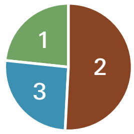


If he uses life insurance as a legacy planning tool, the results would be markedly different.

Jeffrey decides to purchase Jade Global Generations Universal Life Plan, which gives him not only life protection but the flexibility to divide his assets equally and transfer his policy's ownership in the future, all while enjoying potential wealth growth.

He pays USD550,000 for an insurance policy with a sum insured of USD2 million.

1. **Life insurance premium: USD550,000**
2. **Property value: USD1.2 million**
3. **Retirement reserve: USD610,000**



Age: 50

Age: 51 to 64

Jeffrey has no life insurance protection. If he passes away unexpectedly, his wife will become the family's sole provider, and her income may not be enough for maintaining the same quality of life for herself and her children.

If Jeffrey is diagnosed with a terminal illness, the substantial medical expenses incurred would become a heavy financial burden for the family.

Jade Global Generations Universal Life Plan, 1st to 14th policy year

Lifetime life protection
If Jeffrey passes away, a death benefit of USD2 million will be paid to support his wife and children financially.

Advance death benefit option
If Jeffrey is diagnosed with a terminal illness, he can choose to receive a benefit payment in advance (amount depends on policy details) to protect his family's quality of life.

Long-term growth potential
If he stays healthy, his policy's cash value can serve as his retirement reserve or be passed on to the next generation, while providing him with long-term growth potential.

Age: 65

Without planning

1 Idle cash: USD660,000

2 Property value: USD2 million

3 Retirement reserve: USD500,000

His property is sold, and his assets allocated based on his will.

His son receives USD1.33 million

His daughter receives USD1.33 million

wife succeed

While the property has appreciated in value, his cash and retirement reserves have remained static. Result: his wealth has not grown enough to keep up with inflation.

The increase in the value of his assets is less than if he had insurance.

To split his estate into equal shares, he'd have to sell his property and then divide the cash.

Insurance as a legacy planning tool - Jade Global Generations Universal Life Plan, 15th policy year

1 Life insurance policy cash value: USD770,000 Death benefit: USD2 million

2 Property value: USD2 million

3 Retirement reserve: USD610,000

Assets can be divided into equal shares without selling the property.

His son receives the USD2 million death benefit.

His daughter inherits the USD2 million property.

wife succeed

Accelerated death benefit
If Jeffrey, the life insured, passes away, his son, as the beneficiary, will immediately receive a death benefit of USD2 million without having to go through probate. Meanwhile, the USD2 million property will go to his daughter. His son and daughter will thus receive equal shares of his estate without having to sell the property.

Transferring wealth to secure the next generation's future
The policy's value has long-term growth potential. After accumulating continuously for 15 years, its projected cash value will reach an estimated USD770,000, approximately 140% of total premium paid.

Change of life insured for intergenerational wealth transfer
While he's alive, Jeffrey can change both the policyholder and the life insured to his son, who inherits all the rights to the policy as well as its protection and value, as a result.

Featured Interview

Heir to century-old brand evolving family business through innovation

Bebemona Yim
Founder, Gui Ling Yuan Fang

For nearly 120 years, Koong Woh Tong has been a trusted name in herbal teas and health products. Thirteen years ago, Bebemona Yim, the founder's granddaughter, carried on the family's heritage when she founded a new brand, Gui Ling Yuan Fang, to promote Hong Kong's herbal tea and health preservation culture among younger consumers. What insights does she have on tradition and innovation? How should a company's values be safeguarded? We talked to her to find out.

What are the things that are worth passing on to future generations? What have you learnt from the previous generation?

It's not just money or property that should be passed on. It can also be intangible assets, or anything that should be cherished and preserved. As far as my family is concerned, these include the story behind the brand, business principles, accumulated experience and skills, medicine recipes passed down from previous generations, knowledge of Chinese medicine, etc.

My father always said that building a business is about building your own character. From him, I've learnt to be humble and persistent. Our family have never been attention-seekers. We just quietly go about our business – making herbal tea and guilinggao. Instead of being fancy, we insist on using high-quality ingredients in all our products. The other thing is empathy, putting ourselves in our customers' shoes to try to understand what they need and what kind of products they will benefit from.

Instead of focusing on your family's hundred-year-old business, why did you decide to establish your own brand and start from zero?

I studied communications at university and worked as an advertising creative. The heavy workload and long hours must have taken a toll because I got to the point where I began to develop health issues. So, I enrolled in a course in nutritional studies in Chinese medicine at the Hong Kong Baptist University. That got me more and more interested in the medicinal properties of herbs and the analysis of different body constitutions.

Working in advertising brought me into contact with many different consumers, and I soon realised there was a sizable demand for herbal teas and other healthcare products. I started thinking about changing course. Since I knew I'd be backed up by my family's accumulated experience in this area, I decided to make use of my skill set to create a new brand, injecting new elements into herbal tea to meet young people's needs.

What do you think are the core values of your family's century-old brand? What inspiration have you taken from it?

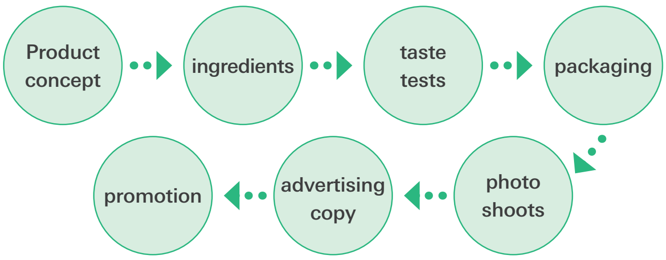
A 100-year-old brand is not built overnight. There have been plenty of challenges. We have gone through many ups and downs with Hong Kong people – the economic boom of the 1980s, the change of sovereignty in 1997, financial crises, SARS in 2003, COVID-19, etc. We are thankful for the support of our customers through the years. Our long history is a testament to the trust we have gained, and the brand promise we have kept. And that goes to show you can't rush a brand. You have to build consumers' confidence day by day. It's like making herbal tea. The herbs' essence can only be distilled over a slow fire.

The other thing I've learnt is that values drive business. If it's just business, you'd try to make as much money as you can in as little time as possible. But if you have strong values, and your goal is always to benefit more people, demand will grow. Long-term demand is what sustains a business. Values are the cause; business is the effect. The two complement and influence each other.

You are continuing a century-old heritage while starting a new brand. Do you feel more pressure than other business starters?

I don't see it as pressure. Rather, it's a special gift. I grew up in the guilinggao-herbal tea culture. You can say I was raised by it. Now I'm using it to give back to society and helping more people understand the health benefits of herbal tea. My goal is to break the mould and evolve guilinggao and herbal tea into a broader range of products, making them a part of urban professionals' and young people's lives.

Setting up a new business had its challenges. Mostly, I was starting from zero. With limited resources, I had to be very hands-on in everything, but I enjoyed the process.



To accommodate the preferences and lifestyle habits of today's customers, we have gone far beyond the black and bitter 24 Flavours tea, the staple of traditional herbal tea culture. Now our product range includes numerous bottled herbal teas, such as Chinese pearl barley with lemon water, mountain begonia, etc. During the three years of the pandemic, people were staying home a lot. To meet their needs, we made our products available on different websites for home delivery.

Ten years ago, we were not a widely known brand. But because of the rise of a health preservation culture in recent years, awareness of the benefits of herbal tea is growing. For instance, some people have developed the habit of drinking prayer-beads herbal tea to cleanse their livers and balance excess heat after burning the midnight oil. So, we can see that the industry is gaining ground.

Herbal tea and herbal tea shops are part of the local culture. What are the principles that guide you as you seek to preserve and extend the heritage?

Our principles:

- We're inheriting not just a tradition but a reputation. Herbal tea and herbal tea shops are part of Hong Kong culture. That's why we insist that all our products are 100% 'Made in Hong Kong', to maintain quality and stay true to our brand DNA.

- At the same time, we're looking beyond Hong Kong. We want to promote our products in other countries, to bring herbal tea and Hong Kong culture to a worldwide audience.

- Many overseas Chinese are already familiar with herbal tea, and they represent a cultural influence. In recent years, there has been a growing interest among foreigners in Chinese medicine and nutrition and the whole health preservation culture. There is much market potential we can tap into.

Have you run into problems or hurdles that made you want to give up?

Yes, from time to time. Once in a while, you have too many objectives and tasks to handle. It's like having too many pots and not enough lids to cover them all. That can be demoralising. But I'm always reminded of what we set out to do – enable more people to understand and benefit from herbal tea. There are also many elders and friends who have lent a helping hand. They are like my cheerleaders, so I always tell myself, don't give up.

How should family assets be transferred in order to maximise their benefit to future generations?

As a custodian of intangible assets – your family's culture and values – you get to learn from the previous generation's accumulated experience and wisdom. Afterwards, instead of just forwarding the exact same body of knowledge to the next generation, you should make use of your own skills to add something new to it, develop it further and turn it into an even more valuable set of guiding principles. Effective transfer encourages the heirs to continue the legacy, as a gift to be passed down through the generations.

Scan this QR code to watch the interview and discover more

Featured Interview

Hand in hand, two sisters keep alive their family legacy

Alicia Tam
Director, Chicks

Jennifer Tam
Director, Chicks

A Hong Kong family, a local brand name, two sisters who have taken on the responsibility of preserving the company culture and building on the legacy. That is the broad outline of the story of Alicia and Jennifer, 4th generation custodians of Chicks, who have been at the helm of their family's company for the past 8 years. We talked to them about family legacies, and how entrepreneurs can blend traditional values and modern ideas to steer local brands in new directions.

What is the objective of perpetuating a family legacy? What do you pass on to future generations?

Jennifer: The most important thing you can inherit is the values. Each generation faces different circumstances. Wealth alone won't help the next generation build their character or teach them how to run a business. A set of values, on the other hand, will have a lasting influence. No matter how many generations it has passed through, it is still inspiring.

Alicia: Passing on a legacy means gifting the best that you have to your family. We have been heavily influenced by our elders since childhood. Our grandmother always said, the company's belief is "giving the best to the family"; be real, be genuine, treat people with sincerity. Whether you're building a career or an enterprise, you will have no stronger foundation than the values she taught us.

Why did you choose to leave your careers behind to take over the family business? What do you want you achieve?

Alicia: I used to be a business consultant at a bank, and Jennifer studied design at university and later worked in advertising. Our father never tried to pressure us into leaving our careers and helping with the family business. Then one time, our elders were talking about retiring and said if there was no one in the family they could pass the baton to, they may have to look for potential investors. That's when we realised we'd in fact grown very attached to the brand.

Chicks has been a part of Hong Kong for 70 years. People have a lot of affection for the brand. The thing I love most is the fabrics. We make a point of knowing all about the origins and quality of the materials we use to make the cotton tee shirts and underwear. We want to maintain the quality standards to preserve the values behind the brand.

Jennifer: We're not just making products, we're keeping the company's values alive. We want to persist and keep the business going strong for another 100 or even150 years.

You two are sisters. Does working together give you an advantage? What would it be like if you have to do it on your own?

Jennifer: Alicia is strong in numbers and logic, while the way I think is much more uninhibited. So we each have our own strengths and complement each other like the two sides of the brain.

Alicia: One time, we were discussing the company's development blueprint. We'd each designed our own proposal beforehand. Mine was filled with numbers and quite boring. Hers had more pictures than anything else, so it wasn't very appropriate either. When we combined the two and complemented each other's thinking, the result was much better.

Jennifer: We share the same values, but we do things differently, and we have been shaped by our own personal experiences. So each of us brings something different to the company - the way we think, our social networks, etc - to help make it more efficient.

Alicia: If we need to look for advertising and design resources, we can rely on her expertise. I attend more industry events, since I'm more focused on managing other aspects of the business.

Jennifer: We've been working together for 8 years, researching and implementing various plans. Things don't always go our thing, but we keep encouraging each other. Every time we have a setback, we'd just say, "It's all okay! Let's learn it, improve and keep going!"

Alicia: We'd sometimes say, if we lose each other's support, we might have already given up the next year. But persistence is exactly the core value of our family culture, what keeps us moving forward. If either of us is doing this alone, we'd still be doing our best to keep the brand alive.

Have you had any major disagreements in the years since you inherited the family business?

Alicia: Our beliefs are the same but our personalities are not. Sometimes she would have an opinion but hesitate to voice it on the spot. That's particularly true in the past, when she would defer to the opinions of the elders she was talking to. On the other hand, I like speaking my mind. This sometimes leads to disagreements. Over the years, she has become more vocal.

Jennifer: We don't always see eye to eye at work. But we stay objective and never get personal. That allows us to develop great chemistry over time.

How do you maintain the brand's reputation? In a fast-changing world, what are the prospects for traditional local brands?

Jennifer: Quality is the basic requirement. And that means quality materials. When we are choosing suppliers, we don't just consider the price. We also look into their production processes and what brands they work with. We make sure our own team and our suppliers share the same principle: to provide the best product quality.

All our products go through a stringent QC process. Besides the regular quality certifications, we also get our products certified by UK and European standards. We do this not only to meet the expectations of local and international customers, but to enable our traditional product lines to evolve with the times. Our Cotton Paradise series, for example, is OEKO-TEX Standard 100 certified, which means the clothing is tested for over 100 harmful substances to ensure product safety. That allows us to further boost consumer confidence and pave the way for expansion into other markets.

Alicia: Keep the traditions, add new ideas. For example, we add lyocell to wool for an even more comfortable tactile feeling, and to make the fabric thin and breathable. It's a strategy that weaves together tradition and innovation. With new product lines, the future of our brand is assured.

Jennifer: In the past, company meetings usually involved only senior management. That has also changed. Now middle management and frontline staff can also take part in different meetings, working together to improve our products and evolve our business.

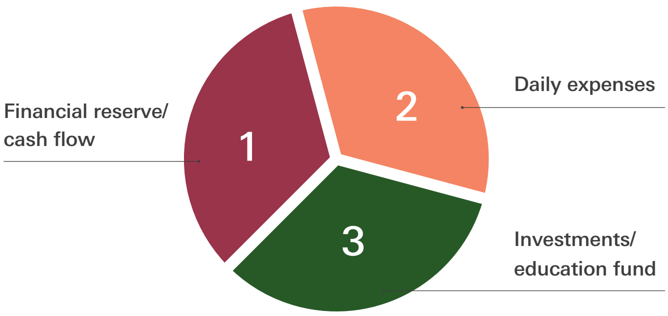
Have you had any difficulties before that made you want to give up? How did you overcome the hurdles?

Jennifer: We were employees before. Now we're owners. We're managing the whole company, and dealing with problems is part of the job. When you're facing a hurdle, the first thing you have to do is break through your own accustomed way of thinking. We frequently reflect on ourselves as a way to identify the areas we need to work on, make improvements and find solutions to problems.

Unexpected things, such as the pandemic, are often the toughest tests. But they are also opportunities for us to strengthen ourselves, so we'll be ready to rise to challenges and go beyond the limits.

What's a good way to pass the family estate on to future generations?

Jennifer: We'll always remember something our grandmother said - don't take your inheritance for granted. If you get one, it's a bonus. If you don't, you'll just have to build wealth for yourself and the next generation. Her prescription for successful wealth transfer is, split the assets into 3 parts.



Alicia: I totally agree that maintaining liquidity is a must, especially for business operations. If the business is not doing well, you can use the funds to keep it going. And if a market opportunity appears, you'll have the capital to take advantage of it.

Jennifer: I think the 3rd part is very important. In 2019, we attended a business forum where we learnt that many century-old brands in Europe were also advocating a 3-part division. That includes setting up an education fund, to allow the next generation to master every aspect of business management and become CEOs and management professionals of the future.

Alicia: They think that, to ensure a successful succession, you first have to clearly define and articulate the family's values. In fact, whether you're a big family that owns an enterprise or a medium to small-sized family, there's a lot of thinking to be done - what the family culture is, what to teach the children - before you can decide what you want to accomplish with your legacy plan.

Note: The above information is provided by the interviewees and does not constitute any recommendations to any person. No decision should be made solely on the basis of this information. The opinions expressed above are the interviewees' own and not those of HSBC Life (International) Limited or the HSBC Group.

Afterword

Money has value only if it is well spent. Otherwise, it's just a number.

Leaving a legacy is like taking part in a relay race. Your wealth is the baton, your heir the next runner. A successful transfer does not mean the race has ended, but the preparation for a new succession has begun. By fostering the personal dreams of one future generation after another through the passing on of wealth, legacy planning gives money its greatest meaning.

By adopting the dual strategy of "early planning + phased wealth transfer", you should be able to plan your legacy better than most. But first, the taboos and superstitions of Chinese culture must be put aside. Think about the subject rationally and choose the right planning tools. As long as you can preserve the harmony in your family, and allocate your wealth fairly and at the right time, many generations to come will count themselves lucky to be blessed by your legacy.

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