Pandemic Has Prompted More Legacy Planning Conversations For HNWIs

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The demand for legacy planning solutions from high net-worth individuals is rising in the wake of the pandemic with a priority on wealth preservation, succession, and transition, writes Dr Ben Fok, Managing Director of Grandtag Financial Consultancy in Singapore

The Covid-19 pandemic has changed how high net-worth individuals (HNWIs) perceive the need for legacy planning. It forced many to stay home, bringing families closer, and this period enabled them to spend more time on such matters. As a result, there has been a shift, with HNWIs now deepening their involvement in wealth and legacy planning.

The global economy was hit by multiple shocks. Economies suffered steeper-than-expected slowdowns, combined with a higher cost of living, rising interest rates, and escalating geopolitical concerns. The weak macroeconomic conditions prompted a significant decline in global financial markets. According to the Capgemini Research Institute's World Wealth Report 2023, total wealth and population of HNWIs around the world dropped by 3.6% and 3.3%, respectively, compared to the previous year.

Need for professional legacy planning

The turbulence has had a negative impact on HNWIs' wealth and businesses. We expect this has led to a more proactive approach in legacy planning, with families prioritising wealth preservation, succession, and transition. Furthermore, driven by demographic changes, more HNW patriarchs are getting their spouses and children involved in conversations about legacy planning, especially so for the older generations.

The last three years since the pandemic started have been a wake-up call, making people aware of their vulnerability and ensuring their legacy planning is current. It has changed the mindset of the HNWIs to actively plan for wealth accumulation and transition at an earlier age. Legacy planning is now a more common discussion topic amongst HNWIs.

We have also recently observed that many clients in Asia have realised the need for professional legacy planning. Living in an increasingly complex and globalised world, they will need a flexible and adjustable legacy plan. Occasionally, HNWIs must also fine-tune their planning to ensure that it fits the current and future environment. Planning must also be compliant, transparent, and suit the needs of HNWIs. As such, wealth advisers should look at different solutions to facilitate wealth and succession planning in an uncertain environment.

Life insurance solutions

In legacy planning, it is paramount to understand that life insurance solutions provide protection and instant liquidity when needed most. If properly structured, it helps to expedite the probate process and transfer the wealth to beneficiaries of different generations.

What is required is a strategy:

1	That has a proven track record, is recognised as a legal framework worldwide (that is civil law and common law), and is highly transferable.
2	The strategy must be seamless across borders and with minor changes, if needed.
3	Finally, there must not be any restructuring, disposal of assets or even removal of structures that are already in place.

As we search for the right tools for legacy planning, life insurance solutions have come into the spotlight as they align with the seismic transition. In addition, life insurance is a necessary tool for liquidity creation and wealth transfer strategies, which is significant when life events are constantly changing - for example, when marriages are celebrated, a newborn is added, divorces occur, people migrate or die, and so forth. Wealth advisors must be on top of such changes and help clients to address their planning and develop structures to adapt to each new situation.

PPLI and VUL

At Grandtag, we firmly believe that life insurance solutions can cope with landmark life events, ensuring well-structured legacy planning is in place. In addition, most of our clients are internationally mobile, with family members and beneficiaries living across the globe.

The life insurance solutions that are mainly used for legacy planning are:

***Private Placement Life Insurance* (PPLI)**
PPLI is an ideal wrapper solution for legacy planning due to its portability and flexibility. Furthermore, it is easy to understand, and the client retains control over his assets. The flexibility gives access to those assets when liquidity needs change, or beneficiaries change over time. They are of considerable interest to HNWIs, especially with the possibility of a reintroduction of inheritance tax in some countries.
***Variable Universal Life* (VUL)**
Another insurance solution relating to legacy planning is VUL, which is also gaining in popularity. VUL is designed to offer policyholders a death benefit with potential cash value growth linked to their choice of underlying investment performance. It provides financial protection for policyholders and, at the same time, allows them to allocate their premiums to various investment options to invest according to their preferences and maximise market opportunities. It can efficiently protect the family, potentially accumulate more money, and reduce taxes.

With PPLI and VUL, when a HNW patriarch passes away, the insurance policy assets can be paid out smoothly and swiftly to the beneficiaries, removing the need to go through a painful probate process that is often challenging and time-consuming. That is the fundamental reason for HNWIs requiring a robust and flexible legacy plan.

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