Pacific *Trustees*

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A Family Office Is Not just a Tax Vehicle. It Is a Decision About What Survives You.

By Edward Cheah,
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The meeting takes place in a conference room at a law firm in Kuala Lumpur, eleven months after the patriarch's death.

Five people are present: the three children, the family's longtime lawyer, and an accountant who has worked with the family for two decades. The youngest brother, who never joined the business, has just learned that his sister and older brother control seventy percent of the family's holding company. He had assumed the shares were split equally. They were not. The patriarch restructured the holding company in 2011 and did not tell him.

The lawyer explains that the structure is binding. The youngest brother says he will challenge it. The older brother says there is nothing to challenge. The sister, who is closer to the youngest, asks whether there is some way to make this fair.

The Tan family will spend the next four years in court.
This is a composite. The names are not real and the specifics vary. The pattern does not. We have advised on enough of these to know how predictably they unfold and how preventable they are.

What actually went wrong

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The Tan family had wealth. What they did not have was a structure. The patriarch built a successful regional manufacturing business over four decades. By the time he was in his late sixties, his investible assets a mix of operating business equity, listed securities held through a Singapore holding company, real estate in Malaysia and Australia, and an investment portfolio managed by a private bank in Hong Kong were worth somewhere north of three hundred million ringgit. He had a will. He had an accountant. He had a lawyer he trusted. He believed, as most patriarchs in his position believe, that he had time.

He did not have a trust. He did not have a foundation. He did not have a trustee with authority to act when he could not. He did not have a family constitution, a governance framework, or any written document that explained to his three children what he intended after he was gone. The 2011 restructuring which shifted control of the holding company in favour of his eldest and his daughter, on the reasonable judgment that they understood the business and his youngest did not, was done with his accountant over the course of two meetings. It was legally clean. It was family catastrophic.

When he died of a stroke at seventy-one, what should have been a straightforward generational handover became four years of litigation, three frozen bank accounts, a forced sale of one of the family's strongest assets to pay legal fees, and the permanent loss of any working relationship between the youngest brother and his siblings. The wealth survived. The family did not. The architecture that would have prevented it.

The Tans did not need a more clever tax structure. They needed an architecture that did three things their existing arrangement could not.

It needed to hold the family's wealth in an entity that was not the patriarch personally. A trust, a foundation, or a similar fiduciary structure owned by the family, governed by clear rules, administered by an independent trustee. When the patriarch died, that entity did not die with him. It continued to hold the assets, with continuity of management and a documented basis for distributions.

It needed to embed succession rules that were binding and visible to everyone affected by them. Not a will to be read after death. A living document a trust deed, a foundation charter, or a family constitution that the children knew about, understood, and had been part of negotiating during the patriarch's lifetime. The 2011 restructuring would have either not happened, or would have happened with the youngest brother in the room. Either outcome would have been better than the one that occurred.

It needed to separate ownership from active management. The investment portfolio, the operating business, and the real estate sit in different vehicles, owned by the structuring layer above. When a dispute arises about ownership, the active management vehicles continue to

operate. Salaries are paid, investments are managed, assets are not frozen because the family is fighting.

These are not exotic requirements. They are how serious family wealth has been structured for generations in Europe and the United States. The Rockefeller family office was established in 1882. The same principles apply in Asia today; they have simply not, until recently, been particularly accessible to Asian families operating at the RM200 to 500 million wealth tier.

Why this architecture is now uniquely available in Malaysia

If the Tans were a family we were advising today, the structure we would help them build would have two layers.

The upper layer would be a Labuan foundation or trust depending on the family's preferences around control, beneficiary definition, and cross-border considerations. The Labuan layer holds the family's strategic equity, defines the succession framework, names the trustees, and embeds the family's governance rules. Labuan has been doing this work since 1990. Its toolkit is mature: trusts under common law principles, foundations suited to civil-law jurisdictions,

private trust companies for families who want internal control, protected cell companies for asset segregation. This layer is about what survives.

The lower layer would be a Single Family Office Vehicle in the Forest City Special Financial Zone in Johor. Owned by the Labuan structure, the SFOV actively manages the family's liquid investment portfolio. It operates from Pulau 1 with a small professional team. It pays zero percent tax on qualifying income for at least ten years and, on renewal, another ten. The minimum entry threshold is RM30 million in assets under management, a number deliberately set to make serious family office capability accessible at the wealth tier where most Malaysian and regional Asian families actually sit. This layer is about what compounds.

Both layers are Malaysian. Both are regulated by Malaysian authorities, the Labuan Financial Services Authority for the upper, the Securities Commission Malaysia for the lower. Both are served by Malaysian professionals, banks, and trustees. The family does not need to reach across to a third jurisdiction for the structuring work.

This combination of onshore tax-efficient active management and established offshore structuring depth, within one country does not exist anywhere else in Asia. Singapore has built one of the world's most respected family office regimes, and for families with global mandates and AUM in the very high tiers, it remains the appropriate choice. Hong Kong has built an elegant 0% concession that is essential for families with deep China exposure. Neither has an offshore structuring sister jurisdiction within their own borders. Families using either Singapore or Hong Kong who need a robust succession and asset protection layer must reach to Cayman, the British Virgin Islands, or Jersey adding a third jurisdiction whose treaty access is contested and whose transparency framework is under sustained pressure from the OECD and EU.

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Malaysia is the only place in Asia where both layers can sit in the same country, regulated by the same domestic framework, served by the same trustees and advisers across both. For families who think seriously about what their wealth needs to do across generations, not just where it pays the least tax this year, that combination is materially valuable.

The conversation worth having

There is no jurisdiction that is correct for every family. A family with a global investment mandate and a billion ringgit in AUM may rationally choose Singapore. A family with three generations of business interests in mainland China may rationally choose Hong Kong. The jurisdictions are not directly comparable in every dimension, and pretending otherwise is unhelpful.

What is true is that the question worth asking is not where will my family office pay the lowest tax. It is what structure, in which jurisdiction, gives my family the best chance of being intact thirty years from now.

The Tans' problem was not that they chose the wrong jurisdiction. It was that they never had the conversation. By the time it became urgent, the patriarch was no longer in the room.

At **Pacific Trustees**, we have spent decades working with Malaysian and regional families on exactly this conversation across Labuan, Forest City, and onshore Malaysian trust structures.

We are not the right answer for every family, and we are not in the business of pushing structures families do not need. We are in the business of asking the questions that should be asked before the meeting at the law firm becomes necessary.

That conversation costs nothing to begin. The cost of not having it is what the Tans paid.