<u>Private Trust Company -</u>

An individual with high net worth can manage their wealth either by way of writing a will or incorporate under companies act a private trust. Both are useful estate planning devices that serve different purposes. One main difference is that a will goes into effect only after the person die, while a trust takes effect as soon as you create it.

Singapore Private Trust Company (PTC) is formed under Singapore Companies Act (Cap. 50). PTC is administered by licensed trustee in Singapore. They will only act as an administrator and not as a trustee. So control and ownership lies with sponsor (Settlor) who will ultimately be family owner. Ultimately, the beneficiaries can ask owner about the business done. Licensed trustee who is being appointed as Administrator can ensure that business is done as per deed constitution and for the benefits of beneficiaries.

So PTC is formed above family trust who would be holding trust assets held in different countries viz. Equities, fixed income, Private Equity, Real Estate and other assets.

Salient Features of PTC –

1. Settlor retains full control over the structure and ownership of assets
2. PTC is live and perpetual instrument i.e passing on to subsequent generations
3. Flexibility in structuring deed instrument
4. Settlor can maintain more control and influence over ongoing management of family assets
5. Settlor can be closely involved in operations of the trust
6. Acts as a dedicated trustee for specific trust
7. Board of directors is usually consist of Settlor, independent experts, family members and trust advisers.
8. Composition of BOD can be changed at any time considering family circumstances
9. Must have at least one director who is ordinarily resident in Singapore.
10. Must be tax compliant and transparent to ensure substance / effective management.

Will Vs Private Trust Company:

A will is a document that directs who will receive your property at your death and it appoints a legal representative to carry out your wishes. By contrast, a trust can be used to begin distributing property before death, at death or afterwards. A trust is a legal arrangement through which one person, i.e "trustee," holds legal title to property for another person, called a "beneficiary." A trust usually has two types of beneficiaries -- one set that receives income from the trust during their lives and another set that receives whatever is left over after the first set of beneficiaries dies.

Another difference between a will and a trust is that a will passes through probate. That means a court oversees the administration of the will and ensures the will is valid and the property gets distributed the way the deceased wanted. A trust passes outside of probate, so a court does not need to oversee the process, which can save time and money.

Since trust is an ongoing instrument, beneficiaries has an authority to interfere in business decisions unless specifically mentioned in trust deed. Whereas Will does not have risk of interfering in business as it goes into effect only after the person die.

Considering all the major differences as mentioned above, it is advisable to use PTC by business families or high net worth individual as a private instrument structure for managing their wealth.

PTC Structure –