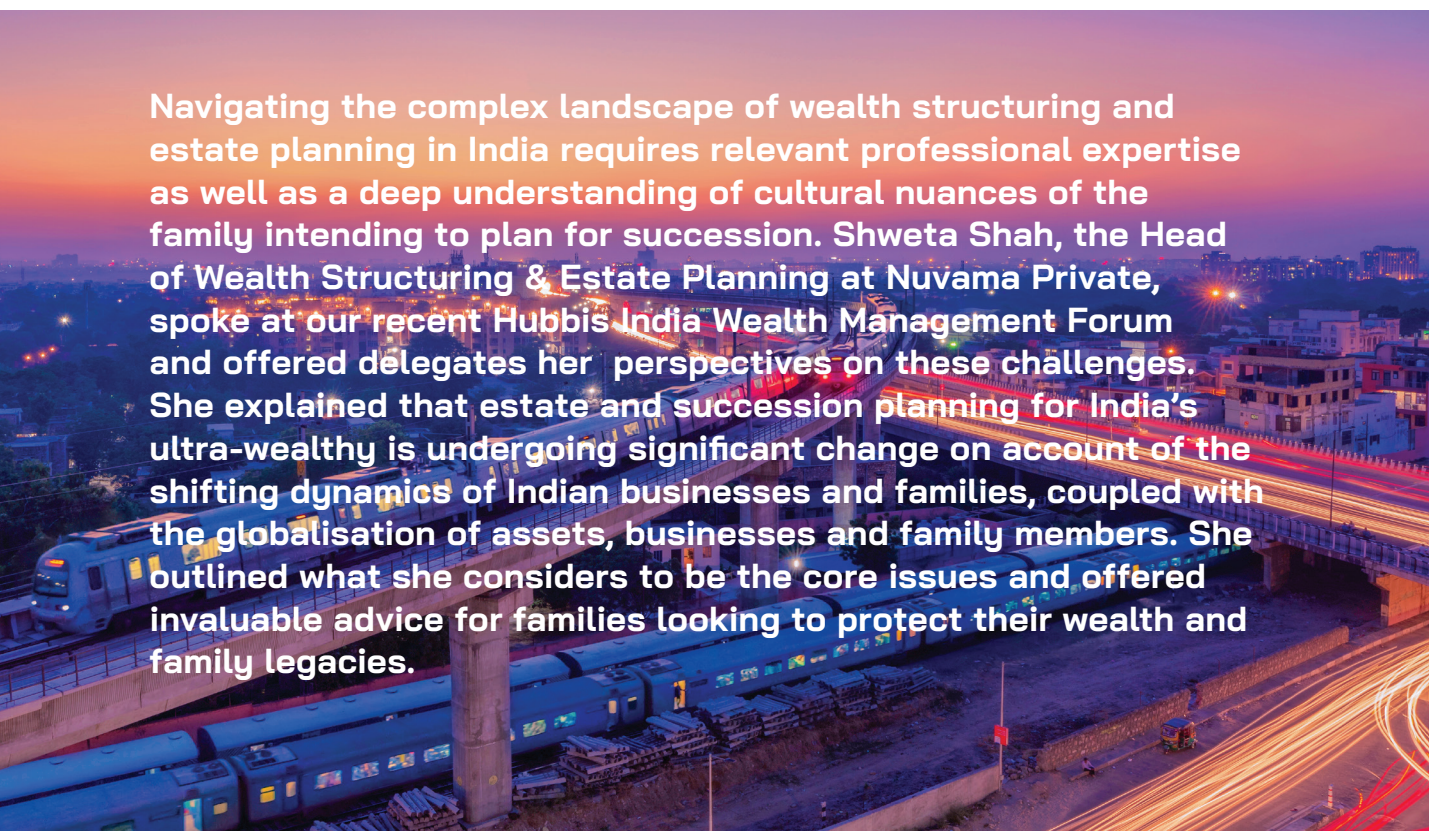


# Nuvama Private's Head of Wealth Structuring & Estate Planning on Wealth Transition Challenges in Modern India



Navigating the complex landscape of wealth structuring and estate planning in India requires relevant professional expertise as well as a deep understanding of cultural nuances of the family intending to plan for succession. Shweta Shah, the Head of Wealth Structuring & Estate Planning at Nuvama Private, spoke at our recent Hubbis India Wealth Management Forum and offered delegates her perspectives on these challenges. She explained that estate and succession planning for India's ultra-wealthy is undergoing significant change on account of the shifting dynamics of Indian businesses and families, coupled with the globalisation of assets, businesses and family members. She outlined what she considers to be the core issues and offered invaluable advice for families looking to protect their wealth and family legacies.

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**SHWETA SHAH**

Nuvama Private

**Shweta first explained** that it is vital to understand the mindset and the challenges faced by the ultra wealthy individuals before advising them on an appropriate strategy for succession. She

in India since several hundred years. However, with time, these businesses have evolved. With the economic liberalisation in 1991, family businesses grew exponentially and the families started generating significant wealth. So, the aspect of passing on the wealth or transitioning the businesses, has garnered more attention and significance only in the last decade or so when businesses witnessed the change of ownership from the creator to the successor. In other words, such generational shifts are a relatively new challenge for many Indian families. Therefore, these must be handled delicately.

Secondly, Shweta talked about

the distinct cultural nuances of India. Unlike more developed nations, she explained that India significantly retains a hierarchical social fabric. While meritocracy is gaining ground, especially in metropolitan areas, the prevalent ethos still leans towards an “honour culture” where more emphasis is given to family values and harmony. The extended family model, with multiple generations and joint families collaborating, is still commonplace. This unique structure makes succession planning in India markedly different from typical practices in other countries such as US or UK.

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emphasised three critical aspects to consider: the stage of business evolution that the Indian family business house currently is in, the culture of the family i.e. their family values, their mindset, objectives, etc and the changing global circumstances around them.

### **Challenges around Smooth Wealth Transition**

Shweta then offered more detail on these key challenges that professionals such as herself often encounter. Firstly, she mentioned the evolving landscape of Indian businesses. Family businesses have been existing



Lastly, she touched on the globalisation of Indian families. More Indian families are establishing a presence abroad, either through family members living overseas or by holding businesses or assets internationally, or all of the above. She remarked on a trend among her clientele to continue this diversification outside India, facilitated by key liberation measures from the regulators, and increasingly enabled through a variety of avenues and initiatives such as GIFT City.

For professionals like herself, Shweta noted, the task is not simply about offering technical solutions like setting up trusts or making a Will. "The challenge for us as advisors is helping families navigate the entire process of succession in a manner that balances the two opposites – the materialistic nature of the businesses on one hand and the emotions of the family members on the other! It is challenging and immensely rewarding."

### Offering comprehensive advice

Shweta explained that creating the right succession strategy is an iterative process and while families may take time in understanding and evaluating

various strategies and structures, and then concluding on the most feasible succession strategy for them, it is just as essential for these families to embark on these journeys as early as possible, "No one plan is perfect, but what is absolutely crucial is to start thinking about these issues and having a plan in place, or chaos can prevail," she cautioned.

At the very least, she advised that every client has a Will, although she also tells clients that Wills by themselves can be open to interpretation and can sometimes lead to family disputes later on, if not drafted appropriately. In the absence of a Will, the law governing the respective individual depending upon his religion shall take over in the matter of how the assets should be distributed to his family members. Many families use a combination approach, i.e. having a Will for certain kind of assets, using trusts for holding legacy assets or interests in businesses in a more defined and structured way, making a family constitution to incorporate the mission, vision, succession strategies, etc of the family, etc. But there cannot be 'one size fits all', and so every family should weigh in their objectives and fact pattern to adopt the most appropriate succession strategy for them.

### Preparing for a more global stage

The increasing trend amongst Indian families of becoming global and continuing to diversify their assets and businesses further complicates the wealth transition and succession process. Shweta highlighted the need to be remarkably comprehensive in structuring the vehicles and requisite solutions to protect a family's legacy in such fluid and dynamic scenarios. "In a situation where some of the family members are based overseas or the client has assets / businesses in a foreign jurisdiction, they need to consider the impact of the global laws and regulations as well while devising solutions in order to protect their legacy," she said.

Shweta closed her comments by reiterating that the real risks lie in ignoring these issues. "Not having any plan at all and leaving it to fate is not at all wise," she said. "It is far better to get on, start, plan and have a structure, even knowing that no single solution is perfect, and that no scenario is entirely without its challenges.. But, at least by making a succession plan, the individuals would have the satisfaction that they allocated their wealth as per their desires rather than leaving it to the discretion of the surviving family members or of the Government!" ■

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### Getting Involved

Interested in being part of the discussion? Be sure to save the date of our India Wealth Management Forum 2024, which is taking place on Wednesday August 28th, 2024.

Want to find out more about how you can take part? Get in touch at [events@hubbis.com](mailto:events@hubbis.com)