GREENTHOS CAPITAL NEWSLETTER

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GREENTHOS INSIGHTS

GREENTHOS BENEFICIARY TRUST	THE CASE FOR A FAMILY GOVERNANCE FRAMEWORK	LEVERAGING LIFE INSURANCE FOR YOUR ESTATE PLAN	THE ROLE OF TRUSTEES IN WEALTH TRANSFER

GREENTHOS BENEFICIARY TRUST

When properly set up and managed, trusts are a powerful estate planning tool. However, the costs of establishing and managing a stand-alone trust can be quite prohibitive particularly for smaller estates.

The Greenthos Beneficiary Trust is our solution to managing trust assets below a certain threshold that have been transferred to Greenthos Capital in our capacity as trustees.

With the Greenthos Beneficiary trust, each settlement is administered as a separate sub-trust, negating the need to register and manage separate trusts.

The trust operates as an umbrella arrangement, providing a legal vehicle to ensure that settlements into it are professionally managed on behalf of beneficiaries.

Here are some more features of the Trust:

- It's incorporated under the Trustees Incorporation Act cap 165 under the laws of Uganda.
- The master Trust Deed addresses the trust's governance and administration.
- The trust has an Independent licensed custodian.

More information about the Greenthos beneficiary trust is on page 3.

MAKING TRUST SO MUCH EASIER

Welcome to the second edition of our newsletter. It has been an exciting quarter for us at Greenthos Capital as we continue working with you to achieve your estate planning and wealth structuring goals. In the first edition, we delved into the estate planning discussion and strategies to preserve wealth across generations. In this edition, we cover the Greenthos Beneficiary Trust, why you may need a family governance framework, leveraging life assurance as a tool for estate planning, and the role of trustees in wealth transfer & creation.

The Greenthos Beneficiary trust is our first proprietary fund aimed at helping you set up and manage a trust regardless of the size of your estate. The average death benefit or inheritance in Uganda is below $50,000 which means that costs have to be kept as low as possible to maximise wealth preservation for beneficiaries. With the Greenthos Beneficiary Trust, you can set up your trust and have it up and running immediately. While stand-alone trusts have their benefits, one should understand the costs that they will incur at set up and on an ongoing basis to administer their trust. I invite you to read more about the Greenthos Beneficiary Trust offering in this newsletter and if you would like to explore your options do not hesitate to contact us on info@greenthos.com.

Everyone talks about generational wealth these days but estate planning is almost never mentioned. There cannot be generational wealth without intentional estate planning. An estate plan protects you and your assets during and after your lifetime. Even though it is often a difficult and emotional process, you and your family will be better equipped to handle a range of issues that ensue when there is no robust estate planning.

At Greenthos Capital, we take pride in being a leading trust services provider, helping create wealth for now and future generations. Our services include will drafting, trust set up & administration, wealth advisory, estate administration among others. We cater to clients from diverse backgrounds as evidenced from our service/product offering.

Once again, we hope that this newsletter proves to be a valuable resource for you, providing essential information and guidance on how to secure your financial legacy. Thank you for joining us on this informative journey.

GLORIA KAMBEDHA, CFA

GREENTHOS BENEFICIARY TRUST

Continued from page 1

Purpose of the trust

The Greenthos Beneficiary Trust serves as a cost-effective and professionally administered trust. It aims to set up trusts and protect assets for beneficiaries. It receives assets in various contexts, including but not limited to:

- Deceased estates
- Living trusts
- Charitable/benevolent trusts
- Children trusts
- Testamentary bequests
- Life insurance payments
- Retirement fund death benefits
- Private investment trusts
- Divorce settlements

How to place a benefit in the Trust

A settlor can make a settlement into the Greenthos Beneficiary Trust through a deed of settlement which stipulates:

- The assets to be settled into the trust
- The beneficiaries
- The conditions under which the benefit shall be held in trust
- Any vesting conditions
- Income levels to be paid to beneficiaries
- etc

A will maker (testator) may make a provision in their will to bequeath to an heir or beneficiary, assets that will be held in trust through the Greenthos Beneficiary Trust.

The fund also caters for benefits that are payable upon death such as life insurance benefits. In this case, the settlor sets up a sub-trust within the Greenthos Beneficiary Trust while they are still alive and designates the sub-trust as the beneficiary of the death benefits. Upon death, the sub-trust receives the death benefits.

Advantages of the trust

- No need to register and incorporate an independent trust therefore saving costs
- Customized deed of settlement to meet your unique wealth management and succession planning goals
- No requirement to appoint individual trustees
- Transparent cost structure.
- The trust is professionally managed (investments, governance & administration)

To find out how the Greenthos Beneficiary Trust can help you achieve your estate planning goals, contact us on info@greenthos.com

Who is the Greenthos Umbrella Beneficiary Trust most suitable for?

- You want to secure certain assets for your beneficiaries, who may be minors or incapacitated adults.
- You want to manage your assets with succession planning in mind.
- You want to invest as a group or as a family subject to terms in a trust deed.
- You want to pursue investments or other ventures in a very structured manner.
- You want to avoid probate (court) when passing on assets to your beneficiaries on your death.
- You want to give your children/family some sort of financial head start in life; but with control over how assets are managed or utilised.

THE CASE FOR A FAMILY GOVERNANCE FRAMEWORK

Family governance is defined as a process for a family's collective communication and decision making designed to serve current and future generations. For business families, many challenges of succession planning stem from having no framework in place to ensure that the right decisions are made and that conflicts are resolved.

A good governance framework will serve current and future generations, helping to preserve and grow wealth across generations. Family governance is based on the common values of the family, which are defined collectively by all members of the family. Family governance serves several purposes, such as:

- Establishing principles for collaboration among family members,
- Preserving and growing a family's wealth, and
- Increasing human and financial capital across the generations.
- Conflict resolution

Setting up a family governance system alongside the estate planning process mitigates potential disputes among family members, ensuring that they work together towards achieving jointly agreed upon goals.

A family governance framework consists of formal legal documents, non-binding family agreements, and a list of goals and values defined collectively and agreed upon by the members of the family during family meetings.

Legal documents include Wills, Trust deeds, shareholder agreements, and other family policies. Non-binding family agreements may include a family constitution which sets forth an agreed upon set of rights, values, and responsibilities of the family members and other stakeholders. While a family constitution is usually a non-binding document, the family's succession planning is guided by it through vehicles such as trusts, companies, and life insurance.

At Greenthos Capital, we work with families to have robust governance frameworks in place. First, we ensure that as a family, you are able to articulate your purpose for wealth, thereafter, we ensure that you have key key succession planning tools in place. Contact us on info@greenthos.com to find out more about establishing your family's governance framework.

LEVERAGING LIFE INSURANCE FOR YOUR ESTATE PLAN

Estate planning involves passing on wealth, protecting your assets and ensuring your loved ones are well catered for in your absence. Life insurance is a planning tool in which the policyholder transfers assets (called a premium) to an insurer who, in turn, has a contractual obligation to pay death benefit proceeds to the beneficiary named in the policy.

Death benefit proceeds paid to life insurance beneficiaries are tax exempt in Uganda. Here are some ways you can levarage life insurance to achieve your estate planning goals:

Replacing or supplementing your income

Life insurance is an income replacement tool that guarantees that your family's financial needs will be met in your absence.

Example: Peter has a young family and he is the primary earner. He estimates that in his absence, his family will need to replace his net income of UGX 5M per month and they will also need to pay the balance on the family home mortgage. He estimates that they will need a lump sum payment of UGX 800M so he makes an arrangement to have a term life insurance cover with annual premium of UGX 2M per annum for the next 20 years to ensure that should be die during this time, his family will get a lumpsum of UGX 800M.

Passing on an inheritance

In cases where you are unable to leave a significant legacy, a life insurance policy can come in to supplement your legacy. You can have term insurance when you are younger and as you accumulate wealth, you can reduce the amount of insurance or let the policy expire.

For business owners

A lumpsum payment on death can help surviving business partners buy out the beneficiaries of the deceased partner (buy-sell insurance agreements).

A life insurance death benefit can give a deceased's estate much needed liquidity, meet specific expenses and achieve legacy goals such as donations to charities. Life insurance can be paired with trust structures to preserve assets for certain beneficiaries.

What we have talked about so far is term life insurance which in summary allows you to pay a specific annual amount for a specific number of years to get a right to a specific death benefit.

We now cover how you can use whole life insurance in your estate plan.

Whole life insurance

For a whole life insurance policy, you pay an annual premium for your entire life to get a death benefit that is guaranteed. The benefits to this policy include cash/savings accumulation and the ability to borrow against the cash value of the policy.

Premiums under a whole life policy will be higher than those under term life insurance. For most people, whole life policy is not advisable due to the costs involved unless they want to guarantee that their beneficiaries have access to a specific amount of money to meet certain expenses or achieve certain goals.

Example: Jane and Paul are grandparents who have set up and funded a family trust with cash. They want to ensure that this amount grows from generation to generation to cater for education and other welfare needs of the family. To do this, they encourage every adult in the family to take up a whole life insurance policy with the trust as a beneficiary. The trust meets a certain percentage of the annual premium costs. With every death in the family, the trust receives death benefits from the whole life insurance pay out, thereby growing wealth for the family.

If you would like to know more about how life assurance can be integrated into your estate plan, contact us on info@greenthos.com or call 0760200955.

THE ROLE OF TRUSTEES IN WEALTH TRANSFER

A Trust involves three categories of people: the settlor, who is the person who creates the trust; the beneficiary or beneficiaries, who are the people who benefit from the property held in the trust; and the trustee, who is the person who holds and manages the trust property. On occasion, a trustee may also be a beneficiary or settlor, or both.

A Trustee is a person (can be an individual or a corporate) who legally owns and administers assets on behalf of beneficiaries. Trustees provide trust solutions including but not limited to wills and trusts.

Trustees make decisions regarding the distribution, investment, and management of trust assets in the best interests of each and every beneficiary.

A trustee owes duties of honesty, integrity, loyalty, and good faith to the beneficiaries of the trust. In Uganda, trustees must comply with the various laws such as the Trustees Act Uganda and the Trust Incorporation Act.

Trustees have various roles;

1. A fiduciary responsibility for all decisions of the Trust
2. Ensuring safety of Trust property
3. Keeping financial and membership records of the Trust,
4. Designating the Trust's service providers
5. Providing guidelines for the Trust property suitable investments
6. Arranging for beneficiary payments to be made in compliance with trust regulations,
7. Directing and supervising the Trust's activities
8. Establishing and keeping the bank accounts required to carry out the Trust's duties among others.

How Trustees support wealth transfer

- Distribute, manage and protect assets on behalf of beneficiaries.
- Ensure that the terms of a trust arrangement are followed according to the wishes of a trust creator.
- Provide continuity in managing assets even after the trust creator passes away or becomes incapacitated.
- Play a key role in preserving wealth, facilitating smooth transitions and protecting beneficiaries' interests.

TRUSTEES SEPARATE LEGAL AND BENEFICIAL OWNERSHIP THEREBY AIDING THE STEWARDSHIP OF ASSETS ACROSS GENERATIONS.

DO NOT TAKE ANY CHANCES

Estate planning is something everyone should do. Not having a formal well defined plan in place is giving the courts of law control over your entire legacy. There is no one size fits all as estate plans comes in many shapes and sizes. Regardless of how much financial wealth you have (or don't have), if you plan to leave your children, dependents, friends, spouses, partners, etc anything at all, you should do everything you can to have a plan of transferring those assets to them. Your assets will transfer somehow, so why not have a plan in place?

Contact us for further inquiries

We invite you to be a part of Greenthos Capital to experience a new way of managing your wealth, for now and future generations.

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Greenthos Capital Limited is a private wealth management firm.

Our services focus on the transfer, preservation and management of assets across generations.

We create enduring value for our clients in the areas of estate/trust administration and management of asset interests.