Sustainable Family Wealth Strategies Series

Family Office. Foundation or Trust : Which Structure Works Best For Your Family?

Confiance Family Office @ JUNE 2025

As Malaysia continues to strengthen its position as a regional wealth management hub, two standout jurisdictions—**Forest City in Johor** and **Labuan International Business and Financial Centre (Labuan IBFC)**—offer strategic as well as tax-efficient structures for high-net-worth individuals (HNWIs) and family enterprises. From the newly introduced **Forest City Single-Family Office (SFO) incentives** in addition to time-tested vehicles like **Labuan Private Foundations** and **Trusts** allow families to build bespoke frameworks to manage, protect, and transfer wealth across generations.

This article outlines the core features, benefits, and appropriate applications of these three vehicles to help families determine which structure—or combination—is best suited to your family needs.

FOREST CITY SINGLE-FAMILY OFFICE SCHEME

Forest City, located in Johor Iskandar region near Singapore, is Malaysia's first Special Financial Zone (SFZ). The Securities Commission Malaysia (SC) has introduced a framework to attract global HNWIs to set up Single-Family Offices (SFOs)[1] in Forest City, backed by highly attractive incentives. Compared to Singapore and Hong Kong, single family offices in Malaysia are exempted from fund management licensing requirements by SC, as they manage proprietary wealth of a single family, and not funds from multiple families or third parties.

KEY INCENTIVES

- **0% Income Tax**: Qualifying SFOs pay no income tax on foreign-sourced income and capital gains for 10 years, renewable for another 10 years.

- **One-Off Tax Exemptions:** One-time capital gains and stamp duty exemptions apply to the initial transfer of assets into the SFO vehicle (SFOV).

- **Asset Under Management (AUM):** RM30 million minimum for the first 10 years, with RM10 million or 10% invested locally. This increases to RM50 million in the second term.

- **Substance Requirements**: Each SFOV must be based in Pulau 1, Forest City with minimum of 2 full-time staff (including one investment professional with minimum of RM10,000/month salary) and RM500,000 annual expenditure; increasing to 4 staff and RM650,000 OPEX in the second 10 years.

[1] *www.sc.com.my/development/single-family-office*

- **Cross-Border Capital Flexibility**: Bank Negara Malaysia facilitates fund movements with reviews every 5 years, allowing families to bring in funds, convert to ringgit, and repatriate without limits.

- **Residency Support**: SC is working closely with the Malaysia Home Affairs Ministry via Talent Corporation to facilitate a 20-year (10+10) Resident Pass-Talent (RPT) Visa for family and professionals.

BEST USED FOR :

The Forest City Family Office is ideal for entrepreneurial and cross-border families seeking centralized control over global investments and operating businesses with foreign-sourced income. With its strategic location near Singapore, it offers a cost-effective regional base for multi-generational families needing sophisticated coordination, tax efficiency, and lifestyle integration within a secure Southeast Asian hub.

LABUAN PRIVATE FOUNDATION THE ULTIMATE INVESTMETN HOLDING STRUCTURE

The Labuan Private Foundation is a standalone legal entity established under the Labuan Foundations Act 2010, blending features of a trust and a company. Unlike a trust, the foundation can own assets in its own name and is ideal for long-term wealth planning.

KEY FEATURES & STRATEGIC ADVANTAGES

- **Separate Legal Entity**: Assets are owned by the foundation, not the Founder or beneficiaries—creating a strong firewall that protects against personal creditors, divorce claims, or political risk.

- **Founder 100% Control & Flexibility**: The Founder defines the foundation's purpose and can retain influence via reserved powers. Founder also have veto power to amend the Charter & Article anytime.

- **Governance**: Managed by a Council (like directors), with an appointed Officer for administration and a licensed Labuan Trust Company as Secretary.

- **Defined Beneficiaries Without Ownership Rights**: Beneficiaries (including family members or charities) are entitled to benefits as outlined in the Charter, but they do not legally own the assets, reinforcing control and protection.

- **Perpetual Existence**: Suitable for multi-generational wealth planning.

- **Privacy & Confidentiality**: Foundation documents and identities are not publicly disclosed.

- **Tax Efficiency**: 0% tax on passive investment income (with substance compliance) and exemption from stamp duty.

- **Flexible Structuring**: Suitable for succession, philanthropy, and wealth consolidation.

- **Shariah-Compliant or Conventional Structuring:** The foundation can be tailored to comply with Islamic principles or follow conventional frameworks, making it a versatile solution for both Muslim and non-Muslim families seeking aligned succession and wealth planning tools.

BEST USED FOR :

The Labuan Private Foundation is a powerful vehicle for families seeking long-term control, asset protection, and legacy planning. It is especially suited for mature families with active involvement in business and decision-making, enabling the Founder to guide wealth strategy while instilling financial wisdom and stewardship values across generations—all within a purpose driven and governance-focused structure.

TRUSTS: THE FLEXIBLE FIDUCIARY FRAMEWORK

A Trust is a fiduciary arrangement where a Settlor transfers assets to a Trustee to manage for the benefit of Beneficiaries under the terms of a Trust Deed. Trusts offer unmatched flexibility and privacy when structured correctly.

KEY FEATURES & STRATEGIC ADVANTAGES

- **Custom Distribution Rules**: Trusts allow staggered, conditional, or discretionary distributions.

- **Parties to the Trust**: Settlor, Trustee, and Beneficiaries each have clearly defined roles and rights. The Settlor creates the trust and transfers assets to the Trustee, who holds legal title and must manage them strictly in line with the Trust Deed for the benefit of the Beneficiaries, who hold the equitable interest. This suitable for those uninterest heirs

- **Governing Deed**: Outlines trustee powers, responsibilities, and distribution terms.

- **Asset Protection**: Trusts, especially irrevocable Trust, separate assets from the Settlor's personal estate, offering protection from creditors, lawsuits, or marital disputes.

- **Succession Without Probate**: Trust assets bypass probate and forced heirship rules.

- **Confidentiality with Reporting**: Trusts remain private but must comply with Common Reporting Standard (CRS) and FATCA reporting via professional trustees.

- **Global Structuring Options**: Trusts can be established in Labuan, BVI, Jersey, Singapore, and other favorable jurisdictions. Families may also set up multiple trusts for different purposes (e.g., succession, education, charitable giving), allowing tailored structures to meet specific needs and objectives.

- **Tax Planning Potential**: Suitable for international families with complex tax or residency scenarios.

BEST USED FOR :

Trusts are well-suited for families needing privacy, special purposes, cross-border flexibility, and structured governance over diverse assets like cash, crypto, or offshore holdings. They are especially effective for managing complex family dynamics by enabling staggered or conditional distributions and are ideal when the Settlor is ready to entrust legal control to independent trustees while ensuring fair, long-term wealth management without day-to-day involvement.

CONCLUSION: IT'S TIME TO STRUCTURE YOUR LEGACY

Choosing the right structure is not just a financial decision — it's a defining step in how your family's legacy, values, and wealth will be preserved and passed on. Whether you're navigating global investments, preparing for generational succession, or building a regional base in Southeast Asia, the right vehicle — or a combination of them — can provide the control, protection, and continuity your family needs.

Evaluate your family's current position, clarify your long-term vision, and engage trusted advisors to begin structuring your wealth with purpose. Whether through the operational command of a Forest City Family Office, the governance strength of a Labuan Private Foundation, or the dynamic flexibility of a Trust, acting today means building a future that reflects your family's legacy — and secures it for generations to come.

Start design today! Your legacy's future begins now.

Meaning: Family harmony is the foundation for overall success and well-being.

At **Confiance Family Office**, we specialize in guiding high-net-worth families through the strategic setup of Family Offices, Labuan Private Foundations, and Trusts. Whether you're exploring the newly incentivized Forest City Single-Family Office scheme, planning a Labuan-based structure, or looking to establish a robust trust framework, we provide full-spectrum, one-stop solutions—from entity incorporation, Securities Commission (SC) application handling, to bespoke document drafting and regulatory compliance support.

With our presence across ASEAN and key offshore jurisdictions, Confiance Group is uniquely positioned to design and implement cross-border wealth structures tailored to your family's goals, governance, and asset portfolio. Our multi-jurisdictional expertise enables us to blend regional insights with global best practices, ensuring your family's structure is not only compliant but also tax-efficient, future-ready, and aligned with your legacy vision.

Let us help you build with confidence—today, for tomorrow. At Confiance, we focus on your priorities:

- ◊ Company Secretarial
- ◊ Accounting & Treasury
- ◊ Labuan Business Set-up
- ◊ Training & Development
- ◊ Tax Compliance & Advisory
- ◊ Payroll & HR Management
- ◊ Trust & Fund Administration
- ◊ Strategies & Advisory

For more information, visit www.myconfiancegroup.com.

We are confident of our service deliveries and strive to earn your trust in us – **CONFIANCE.**

Contact your Family Wealth Sustainability Advisor today to discover customized strategies to secure your family's legacy and successful wealth planning:

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