The SmartInvestor

SEP/OCT 2026 | ISSUE 399

Pelabur Bijak

CHOW KON YEOW:

The Strength to Stand Firm

Di Mana Tahap Celik Kewangan Kita?

保费持续增长

该退保吗?



09 9 771511 730007 PP 11112/05/2024(035446) RM22.50

exit, stage left.

Finding the Right Way to Leave a Business

Embarking on successful business ventures is a lifelong journey for most entrepreneurs. Ironically, many business owners discover that building the business is not the hardest part. The harder question is: "How do I exit smoothly?"

Many successful entrepreneurs find themselves trapped inside the very businesses they spent decades building. Their companies may be profitable, and their personal net worth may appear substantial. Yet much of that wealth remains locked inside the business itself. Unlike salaried employees who accumulate retirement savings over time, many entrepreneurs have reinvested most of their profits back into growing the company. As a result, the business continues to prosper but they may have relatively little liquidity to support the retirement lifestyle they envision.

To this end, they have built a valuable business but not necessarily a retirement fund. To unlock that value, a sound and practical exit strategy is needed.

But exiting is often easier said than done. Many founders hope to pass the business to their next generation, who, in reality, may not be interested.

ES TRUSTEES
YOUR FINANCIAL CARETAKER

Consequently, many entrepreneurs postpone retirement year after year—not because they enjoy the relentless demands of running the business, but because they cannot convert the business's value into retirement capital. Some founders even pursue an Initial Public Offering (IPO), believing it represents the ultimate retirement strategy, but it is often a false illusion of retirement. Listing a company certainly unlocks capital and enhances corporate stature, but it rarely allows the founder to step away from the business. Instead, listed company founders become accountable to regulators, Bursa Malaysia, institutional investors, analysts and thousands of public shareholders.

This is why succession planning deserves the same level of attention as business growth. Today, trust structures have become strategic tools that facilitate business succession, support ownership transitions and strengthen business continuity while complementing long-term family wealth planning.

WANT BUT, CAN'T | MANAGEMENT BUY-OUT (MBO)

Here's a surprisingly common situation for Malaysian SMEs when its owners are up for retirement—the business is profitable, operated by a competent management team but yet, it cannot be sold.

The existing management team may possess the experience, network and operational knowledge to keep the company running successfully, but unfortunately, they rarely have sufficient capital to purchase the business outright.

Without a workable solution, founders continue working well beyond their intended retirement—not because they lack confidence in their managers, but because there is simply no practical exit strategy.

MBO offers an attractive alternative by gradually passing ownership to the existing management team rather than outside buyers.

However, executing an MBO is rarely straightforward. The management team may require financing over several years of which the founder may accept payment by instalments. Questions inevitably arise over voting rights, dividend entitlement, governance, default events and ownership during the transition period. Without a structured framework, these issues can create uncertainty and disputes.

This is where an **MBO Trust** introduces an independent governance mechanism—instead of transferring shares immediately, the founder transfers the agreed shares into a professionally administered trust. The trustee then administers the shares according to agreed terms covering payment schedules, financing arrangements, performance milestones, voting rights, dividend distributions and eventual transfer of ownership, providing confidence to both parties. The founder gains assurance that the agreed purchase arrangements will be properly administered. The management team gains confidence that ownership will transfer once contractual obligations have been fulfilled.

LEFT HANGING? | SHAREHOLDERS' BUY-SELL TRUST

Not every business transition is planned—succession plans can be accelerated by unexpected death, permanent disability or critical illness of a shareholder. Without advance planning, surviving shareholders may suddenly find themselves sharing ownership with family members who have little interest or experience in running the business. At the same time, the deceased shareholder's family often requires immediate financial security rather than an illiquid shareholding in a private company.

This mismatch frequently leads to disputes over valuation, delays in settlement and uncertainty about the future direction of the business.

Through **Shareholders' Buy-Sell Trust,** shareholders enter a legally documented buy-sell arrangement supported by an agreed funding mechanism, often involving insurance, before any crisis occurs. Upon a triggering event, the trustee administers the transaction according to the agreed terms. The deceased shareholder's family receives the agreed value for the shares, while the surviving shareholders acquire ownership without prolonged negotiations or uncertainty.

The result is certainty for both the business and the family while stakeholders experience continuity and business confidence.

GATEKEEPING WEALTH | ENTREPRENEUR TRUST

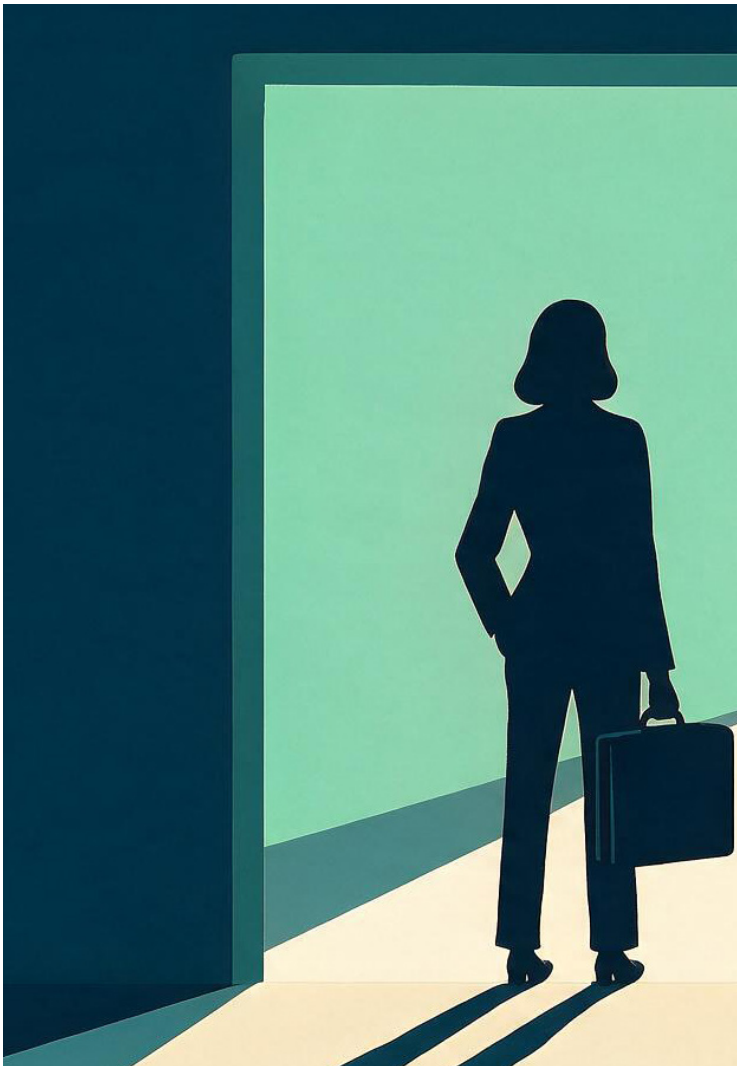
Every entrepreneur accepts that businesses carry risks—economic downturns, litigation, contractual disputes, regulatory changes and industry disruption—can arise even in well-managed businesses. Yet many business owners overlook one important question: How much of my family's wealth remains exposed to business risk?

As entrepreneurs accumulate wealth, a significant portion often remains personally held and closely connected to their commercial activities. A properly established **Entrepreneur Trust,** structured as a Living Trust, can form part of a broader wealth preservation strategy.

Established well before any known financial difficulties arise, selected personal assets may be transferred into a Living Trust.

The trustee then administers those assets independently in accordance with the trust deed and the settlor's intentions. It is important to emphasise that an Entrepreneur Trust is not designed to defeat legitimate creditors or avoid lawful obligations. Rather, it represents prudent, forward-looking planning undertaken before risks materialise, supported by proper legal, tax and professional advice.

Just as businesses purchase insurance before accidents occur, entrepreneurs should consider wealth preservation before unforeseen events arise.



IT IS A PRUDENT STRATEGY TO BETTER SEPARATE PERSONAL WEALTH FROM BUSINESS-RELATED RISKS, INCLUDING POTENTIAL LEGAL ISSUES, WHILE ALSO SUPPORTING SUCCESSION PLANNING, ESTATE PLANNING AND LONG-TERM FAMILY WEALTH MANAGEMENT.



LIFE BEYOND THE BUSINESS

Whether planning for retirement through an MBO; ensuring business continuity through a Shareholders' Buy-Sell Trust or managing business-related risks through an Entrepreneur Trust, proactive trust planning enables entrepreneurs to navigate each stage of their business journey with greater certainty and confidence.

At **YES Trustees Berhad,** we believe every entrepreneur deserves not only a successful business, but also a well-planned retirement, an orderly business exit and the confidence that their family's financial future has been thoughtfully prepared for.



ABOUT THE EXPERT

As the founder of YES Financial Group, Prof John Chan Ninyii is the CEO and Principal Director for YES Financial Berhad and the Chairman of YES Trustees Berhad.