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Road to Wealth – Part 3

by

Dr. Suvarn Valaisathien

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The road to wealth is long and winding. It takes 10, 20 or even 30 years to reach the target. In the previous issues, we have look at five topics which are:

- (1) Regular health check up.
- (2) Start your saving today.
- (3) Look after your property.
- (4) Take out a life insurance.
- (5) Think about retirement.

We will continue our road to wealth. At this point, one may question what constitute wealth. From my view, there are four components:

1. Health is something that you own outright and nobody can take it away from you. On the other hand, personal assets either real estate, stocks and bonds, gold and jewelry are something that belong to others according to Chinese philosophy because when you die, they pass on to your heirs or somebody might just take them away.

2. Have a job to earn your living.

3. Set aside 20% of your earning, you will need them at retirement.

4. Invest wisely. If not, your wealth will continue to depreciate due to inflation.

The next step is for you to consider the followings:



(6) Make a Will

According to Thai law, a monogamy family does not actually need a will because if you pass away without one, the law said that your estate will be given to your biological heirs they are divided into six classes:

- 1) Children or descendants
- 2) Parents
- 3) Brothers and sisters
- 4) Half brothers and half sisters
- 5) Grandparents
- 6) Uncles and aunts

However, I always say that there is a super-heir lurking behind the scene. It is your spouse because if something happens to you, your spouse would be entitled to half of the community property. On top of this, he or she is also entitled to share in your estate as well. If you have children, the spouse will get a share as one child. If you do not have any children, then the spouse will take half of your estate and the rest either go to your parents or brothers and sisters, etc. In addition, if there is no heirs in classes 1) to 3), the spouse is entitled to two-thirds of the estate and the remaining one-third is divided among your half brothers or sisters, grandparents, or uncles and aunts, as the case may be.

A will can be made in a long form or short form. The short form is fairly simple, you merely say that you will give your estate to be divided among your heirs in equal share without listing the items one by one. For example, you have a wife and two children, you simply say that each will get one-third of the estate and let them work the sharing among themselves. On the other hand, there are people who would like to list all the assets, such as house goes to the wife, stocks and bonds go to the first born, gold and jewelry go to the second child. If you are a member of Saver Club (www.saverclub.org), there are both long form and short form of the wills that you can download and fill in the blanks. However, if you have any doubt, then consult a family lawyer.

Making a will is imperative if you would like to bequest something to somebody who is not related to you by blood. Please note that Thailand requires no probate and that there is no inheritance tax either.



(7) Tax Planning

Investing your wealth is a challenging task because you need to be careful about the following:

1) Inflation. You should try to get a return higher than inflation so that you are better off.

2) Risk and Greed. Many people would like to get a high yield on their investment but the higher the yield, the bigger the risk. There is no such thing as high yield and low risk. In the old days, banks paid 10 to 12% on your deposits. However, those good old days are gone and the current's rate is only 2 or 3%. In order to survive on your deposit, you need to have a principal of Baht 10 to 15 million in your account.

3) Tax Bite. Almost all kind of investments are subject to tax in one form or the other. Interest on deposit is subject to 15% withholding tax. Dividend payment is subject to a 10% withholding tax. If you invest in real estate, at the time of disposal or when it is given out on lease, you suffer from specific business tax, value added tax, income tax, stamp duty, transfer fee and withholding tax.

Therefore, you need to have a tax planning scheme to minimize its impact.

For a salary worker, consider joining a provident fund. You should also invest in Retirement Mutual Fund or RMF as well as Long Term Equity Fund or LTF. These funds entitle you to a 15% tax deduction on your gross income upto Baht 500,000 per fund. Many families save as much as Baht 1 to 2 million in personal tax this way.

Tax planning is a scheme of tax avoidance which is from different from tax evasion. You need to follow the law and take out maximum deduction. Sometimes you even have to reclassify your income to take advantage of a lower tax. Tax planning requires skill and a good knowledge of the law. Quite often, you need to rely on an advisor. His fee is not that expensive. On the other hand, it helps cutting your tax and it is something that you can benefit year after year. Therefore, the long term benefit always outweigh the one time consultation fee payable by you.

Good luck to you all.

Dr. Suvarn Valaisathien