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BEYOND THE JACKPOT: STRATEGIES FOR EFFECTIVE WEALTH PRESERVATION

by Chris Toh Pei Roo

The recent record-breaking jackpot prize of over RM 100 million has sparked a "nationwide frenzy"[1], with Malaysians across the country queuing up in hopes of securing their own financial windfall. Such was the excitement that a scuffle broke out at one outlet when someone jumped the queue, leading to a fistfight[2]—a stark reminder of how high emotions can run when money is at stake.

Not everyone will strike the jackpot. After all, the odds can be as high as 1 in 40 million[3]. However, there are universal legal considerations for anyone who has accumulated wealth, whether through hard work or good fortune. Beyond the jackpot, it is crucial to think about how to preserve and protect newfound or hard-earned wealth.

[1] The Edge, "Nationwide frenzy: Long queues at Sports Toto outlets as punters hope to win RM100m jackpot" dated 18.2.2025: Annual Report Insights
[2] Annual Report Insights
[3] The odds of winning the Toto 6/58 jackpot are 1 in 40,475,358

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Here are some key issues to consider when planning for long-term wealth preservation.

1. Tax Considerations: Are your Gains Taxable?

In Malaysia, lottery winnings are generally not subject to tax. Capital Gains Tax ("**CGT**"), which was introduced effective 1.1.2024[4], does not apply to lottery prizes. However, both lottery winners and high-net-worth individuals ("**HNWIs**") should be aware that their spending patterns can attract the attention of the Inland Revenue Board ("**IRB**"). This is no secret. The IRB has specifically identified high-net-worth individuals as an area of focus for enforcement activities[5].

Whilst the gains itself (such as lottery winnings) may not be taxable, the IRB may scrutinise unexplained wealth if substantial purchases are made without corresponding income declarations. The IRB has the authority to request capital statements from individuals when discrepancies or concerns about the sources of their wealth arise.

As a precautionary measure, HNWIs should therefore:

- **Seek professional legal and tax advice**: Tax considerations for HNWIs can be more complex than those for lottery winners, as their wealth may involve multiple income streams, business interests, investments, or even jurisdictions. Effective tax planning is essential for managing wealth responsibly.

- **Ensure tax returns are properly prepared and filed**: All disclosures should be made accurate and submitted in a timely manner to avoid scrutiny and ensure compliance.

2. Wealth Planning, Estate Planning, and Asset Protection

There is an old Chinese saying: "*Wealth does not last three generations."* Without proper planning, this may well be the case for many first-generation wealth creators. For lottery winners, history has shown that their newfound wealth may not even last their own lifetimes[6].

Similarly, individuals who have built their wealth through years of hard work and astute business decisions must prioritise wealth and estate planning to preserve their assets across generations. While they may be commercially savvy, effective wealth management is essential to ensuring their legacy is protected and their financial security endures.

Proper wealth and estate planning is crucial for wealth preservation, regardless of whether wealth is earned or won. High-net-worth individuals should consider implementing legal structures such as trusts, wills, and foundations to secure their wealth for themselves and their

[4] https://lh-ag.com/tax-customs-trade-special-alert-navigating-capital-gains-tax-roadmap-to-a-new-tax-landscape/ ; https://lh-ag.com/tax-customs-trade-special-alert-cgt-vs-rpgt-a-flowchart-guide/
[5] https://www.legal500.com/developments/thought-leadership/post-svdp-2-0-and-the-return-of-the-revenue-navigating-new-challenges-in-tax-audits-and-investigations/ ; https://thesun.my/business-news/tax-matters-high-net-worth-individuals-are-on-irb-s-radar-MD12224769
[6] https://www.businessinsider.com/lottery-winners-lost-everything-2017-8

families. Establishing a trust that provides periodic payouts can be a practical strategy to maintain financial discipline and protect wealth from mismanagement or external claims.

Key legal tools to consider include:

- **Wills**: A well-drafted will ensures that assets are distributed according to the individual's wishes, helps avoid family disputes, and simplifies the estate administration process.

- **Trusts**: A trust can provide several benefits, such as:
  - Protecting wealth from family disputes or creditor claims.
  - Ensuring succession planning for future generations.
  - Providing structured disbursements that align with long-term financial goals.

- **Foundations**: For those interested in philanthropy, setting up a foundation can create a structured and tax-efficient way to give back while preserving wealth for charitable purposes.

3. Managing Requests for Gifts, Loans, and Investments

One of the biggest challenges faced by both lottery winners and HNWIs is handling the influx of requests from friends, relatives, and even acquaintances seeking financial assistance. Whether it is requests for gifts, loans, or investment opportunities, the pressure to say "yes" can be overwhelming. Without proper planning and safeguards, wealth can quickly diminish through impulsive generosity or poorly thought-out decisions.

Having a solid financial strategy in place is essential for managing these requests effectively. Engaging professional financial and legal advisors can help create structured approaches to wealth management that prevent hasty decisions and protect against undue influence or financial exploitation.

Key strategies to consider include:

- **Setting Clear Financial Boundaries**: Establishing clear guidelines on how and when financial assistance will be provided can help individuals make thoughtful decisions without straining relationships.

- **Structured Fund Management**: Placing winnings or assets into financial structures such as trusts or managed investment portfolios can help limit accessibility, ensuring funds are preserved for long-term goals rather than impulsive spending.

- **Saying "No" with Confidence**: Having a professional team in place allows individuals to defer financial requests by explaining that advisors handle financial matters, providing a polite but firm barrier against unreasonable demands.

- **Conducting Due Diligence**: Any investment opportunity—whether presented by a family member or an external party—should be carefully vetted with the assistance of qualified financial and legal advisors to avoid potential scams or unwise ventures.

Whether wealth is newly acquired or accumulated over years, establishing clear policies and professional safeguards ensures that financial resources are used wisely while maintaining personal relationships and long-term financial security.

Conclusion

Whether acquired through a fortunate windfall or years of hard work, significant wealth brings both opportunities and responsibilities. Proper tax planning, sound wealth management, and the implementation of legal structures are essential to ensuring long-term financial security and legacy preservation. Taking proactive steps to manage and protect wealth can help avoid potential pitfalls and ensure that assets are preserved for future generations.

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