

## Key Benefits and Uses of an Isle of Man Trust

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By **Paul Harvey**, 17th December 2024

The Isle of Man, a well-regulated jurisdiction with a long history of providing financial services, offers Trusts that are highly regarded for their flexibility, confidentiality, and robust legal framework. While tax efficiency is often cited as a benefit, the advantages and applications of Isle of Man Trusts extend far beyond taxation. When managed by a professional Trust Company, these structures serve as versatile tools for asset protection, estate planning, wealth management, and philanthropy.

### Key Benefits of an Isle of Man Trust

1. **Asset Protection:** An Isle of Man Trust can safeguard assets against potential claims, including those arising from divorce, bankruptcy, or legal disputes. The jurisdiction's robust Trust laws protect the Trust's validity, making it a secure option for individuals seeking to safeguard their wealth.
2. **Wealth Succession and Estate Planning:** Trusts provide a means of ensuring that the Trust Fund can be distributed according to the Settlor's wishes, both during their lifetime and after their death. They can help mitigate family disputes and simplify the transfer of assets across generations.
3. **Flexibility:** Trusts can be tailored to suit individual or family needs. For example, discretionary Trusts allow Trustees to make decisions about distributions based on beneficiaries' circumstances, ensuring adaptability over time.
4. **Confidentiality:** Unlike Wills, which may become public after probate, Trusts allow the settlor to maintain privacy over their financial affairs.
5. **Philanthropic Endeavours:** Isle of Man Trusts may be established with a view in whole or part to supporting causes the Settlor cares about while benefiting from the jurisdiction's favourable regulatory environment.

6. **Diversification of Asset Management:** Trusts enable individuals to separate ownership from management. Professional Trustees can oversee investments, ensuring they align with long-term goals.

### **Not Just About Tax**

While the Isle of Man offers a favourable tax regime in certain circumstances, its Trusts are not solely focused on tax benefits. The jurisdiction has implemented regulation to ensure compliance with international standards, which enhances the legitimacy and integrity of its financial structures.

### **Case Study**

**Background:** An opportunity arose for the Management Company of a retirement village to purchase the Freehold Title to the properties within a retirement community.

When originally incorporated, the Management Company's sole purpose was to receive management fees for the upkeep and maintenance of the community. As such, residents were satisfied that the Company's shareholders be drawn from members of the Company's board of Directors.

Upon acquisition of the Freehold title, this arrangement was no longer deemed appropriate, as the Company now held sizable assets, which would form part of the shareholders' personal estates.

**Solution:** Various options were considered, including issuing shares in the management company to each Leaseholder. However, due to the number of individual Leaseholders, the administrative burden was deemed too high.

Instead, the current shareholders established and settled the shares in the Management Company into an Isle of Man Trust, of which the class of Beneficiaries was defined as the current Leaseholders of various properties within the community.

**Outcome:** The establishment of the Isle of Man Trust successfully removed the sizable assets from the personal estates of the Management Company's shareholders, mitigating potential inheritance and succession disputes. It also ensured that the Freehold title was managed collectively and impartially for the benefit of all Leaseholders. The Trust's professional Trustees provided a neutral and experienced oversight, streamlining administration and enhancing transparency. Leaseholders'

interests were safeguarded, and the arrangement reinforced community harmony by aligning ownership and management with the collective benefit of the retirement village residents.

### **Conclusion**

An Isle of Man Trust is a powerful and versatile financial tool that offers far more than just tax efficiency. It provides a secure and flexible framework for protecting assets, planning for the future, and supporting philanthropic endeavours. If you would like to talk to us about how an Isle of Man Trust might be appropriate for you or your clients, please contact us: [advice.iom@dixcart.com](mailto:advice.iom@dixcart.com). Regulatory Rubric

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