

Offshore Trusts and Foundations in the Isle of Man: A Strategic Guide for Modern Wealth Management

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By **Paul Harvey**, 27th May 2025

The Isle of Man has established itself as a premier jurisdiction for the formation and administration of Trusts and Foundations. With a strong legal framework, professional governance, and evolving fiduciary legislation, it provides high-net-worth (HNW) individuals and families with robust, flexible, and internationally compliant solutions for estate planning, asset protection, and multigenerational wealth management.

This article provides key insights into the use, structuring, and governance of Isle of Man Trusts and Foundations.

Trusts and Foundations: Two Powerful Structures with Distinct Advantages

While both Isle of Man Trusts and Foundations serve similar overarching goals, such as wealth preservation, succession planning, and philanthropic giving, they operate under different legal principles and offer unique characteristics that make each better suited to different client circumstances.

What Is an Isle of Man Trust?

An Isle of Man Trust is a legal arrangement whereby a Settlor (the individual transferring assets into the Trust) places assets under the control of Trustees, who manage and administer the Trust Fund for the benefit of the Beneficiaries, in accordance with the

terms of a Trust Deed and relevant fiduciary law.

Key features of an Isle of Man Trust include:

- *No Legal Personality:* Unlike a Foundation, a Trust is not a separate legal entity. The Trustees hold legal title to the assets and are personally liable for the management of the Trust.
- *Fiduciary Duties:* Trustees have a legal obligation to act in good faith and in the best interests of the Beneficiaries.
- *Flexibility:* Discretionary Trusts allow Trustees to adapt decisions based on the needs of Beneficiaries over time.
- *Succession and Estate Planning:* Trusts allow for the orderly transfer of wealth, while minimising family conflict and legal complications.

When to Use a Trust Instead of a Foundation

There are circumstances where a Trust may be the more appropriate structure than a Foundation, particularly for clients with links to Common Law jurisdictions or those seeking enhanced flexibility in estate planning.

Trusts May Be Preferred When:

- *The Client is UK-Resident or Connected to Other Common Law Jurisdictions:* Trusts are widely recognised and accepted in Common Law systems. They often offer clearer tax treatment in the UK, particularly for UK-resident individuals.
- *Flexible Wealth Succession Is the Priority:* Discretionary Trusts allow Trustees to make decisions based on Beneficiaries' evolving circumstances. This can help avoid rigid distribution schedules that may not align with the best interests of the family.

- *Long-Term Family Governance Is Needed:* Trusts are ideal for creating multi-generational wealth structures, particularly when combined with a Letter of Wishes that guides Trustees on how to carry out the Settlor's intent.

Isle of Man Foundations: Legal Personality and International Versatility

An Isle of Man Foundation, by contrast, is a registered legal entity governed by a Foundation Instrument and managed by a Council (similar to a board of directors). Foundations are particularly useful for international families, or clients from Civil Law jurisdictions, where Trusts are not legally recognised.

Key benefits include:

- Separate Legal Personality
- Structured Oversight
- Recognition across legal systems

Foundations may be better suited to corporate structuring, philanthropic vehicles with public visibility, or where international recognition of the entity is a priority.

Common Pitfalls and How to Avoid Them

Whether establishing a Trust or a Foundation, poor structuring and misunderstandings can result in compliance issues or unintended liabilities. Common challenges include:

- Confusing ownership and control
- Inflexible governance documents
- Improper selection of Trustees or Council members

- Over-involvement by Settlers
- Beneficiary and tax communication issues
- Underestimating costs and regulatory obligations

Solution: Work with licensed Isle of Man fiduciaries like Dixcart, who ensure that structures are set up correctly, managed efficiently, and meet international standards of transparency and compliance.

Conclusion: A Jurisdiction That Offers Versatility, Security, and Professional Oversight

The Isle of Man remains a leading jurisdiction for offshore fiduciary services, offering both Trusts and Foundations to suit a wide variety of legal, cultural, and financial needs.

For clients with international families, cross-border assets, or long-term philanthropic goals, Isle of Man Trusts offer privacy and flexibility, while Foundations provide legal personality and greater international recognition. Used appropriately, these structures offer a modern, compliant and highly effective approach to global wealth planning.

Additional Information

If you require further information regarding trusts and foundations and how we can assist, please contact [Paul Harvey](#) at Dixcart: advice.iom@dixcart.com

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