

## The 'Great Wealth Transfer' - International Succession Planning

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The transfer of wealth to the next generation is a critical issue. The next two years are expected to see the largest transfer of wealth from 'Baby Boomers' (those born between 1944 and 1964) to the younger generations. One of the biggest question is whether the inheriting generations and beneficiaries are in a position to handle whatever is passed down to them, and what are the best structures in order to achieve this?

It is not surprising that the US has the largest amount of UHNW wealth (US\$16 trillion). The next "top hot spot" countries are: Germany (US\$1.645 trillion), Japan (US\$1.645 trillion), the UK (US\$830 billion) and Brazil (US\$560 billion).

Since the breakout of Covid-19, more individuals are now reviewing their estate and putting practical measures in place regarding succession planning. Although not a catalyst for encouraging individuals to review their affairs, Covid-19 has certainly reinforced the importance of it. The last year has provided a reason for many families to 'take stock' and to put in place or revise practical measures regarding succession planning.

A family's financial wellbeing can be lost or reduced in disputes over control and management of the wealth. Unfortunately, the old English expression "from rags to rags in three generations" can often become true. The ability and understanding of the next generation as to how to deal with the organisation and management of the wealth being passed to them is also a vital consideration.

### **Where in the world?**

In a number of countries, succession planning can be complex, particularly some Latin American countries and other Civil Law countries, where forced heirship rules still apply. Unless alternative plans are put in place early, at least part of an estate, will be automatically divided between surviving family members, rather than shared according to the individual's preference.

International taxation is another reason why individuals may wish to put structuring measures in place. Many high-net-worth individuals and families incorporate one or more of a Corporate Family Investment Structure, a Trust or Foundation as part of their planning. But how to choose which one?

### **How to transfer wealth wisely? Trusts and Foundations for Succession Planning**

Both Guernsey and the Isle of Man are highly favoured locations for the establishment and administration of Trusts and Foundations; each has an established and robust legal structure and specific legislation.

At an early stage, a family structure can be transferred to a single fiduciary provider or trustee with whom the family has a good relationship and understanding of the family needs. These structures usually take the form of a discretionary Trust or Foundation.

Trust structures are generally used by Common Law jurisdictions, whereas Foundations can fulfil many of the same functions in Civil Law countries. Dixcart has over forty-five years' experience in assisting clients with managing their assets and can help you and your family decide the right structure to best suit your needs.

### **Private Trust Companies (PTC)**

For many years, PTC's have been the preferred vehicle for administering the assets of wealthy families. One of the main attractions of the PTC is that decisions relating to the underlying trusts, are made by directors who are carefully chosen by the family or may even be family members. There are a number of variants of the PTC, which can be limited by either shares or guarantee or even with separate classes of shares for voting purposes. Careful consideration as to the level of control exerted over the PTC needs to be planned so as not to lead to tax implications.

Whilst PTC's remain a popular specialist solution, our Guernsey and the Isle of Man offices can offer a simpler structure through the Private Trust Foundation (PTF).

### **Private Trust Foundations (PTF)**

The PTF removes the need for any ownership layers above the PTC and can simplify the structure and therefore administration and cost. The PTF is established under the relevant law for either of the two islands with the sole purpose of acting as trustee of the trusts for the benefit of an individual or family.

The Law will make it clear that a Foundation, upon establishment, has its own legal personality, independent from that of its founder and any foundation officials. The PTF will be run and managed in a similar way to a PTC with the involvement of a local licensed fiduciary, such as Dixcart, but with the significant advantage that, as an orphan vehicle, it does not have any other owners or controllers.

Additionally, family members or other trusted advisors can be appointed to the PTF council, which is responsible for acting as trustee to the underlying family trusts.

### **Corporate Family Investment Structures**

A family investment company is a company where the shareholders are drawn from different generations of the same family. The use of a family investment company has grown significantly in recent years, particularly in situations where it has become difficult to pass value into a trust, without incurring an immediate tax charges but there is a desire to continue to have some control and influence over the family's wealth preservation.

More information regarding the benefits of a family investment company is available on our [website](#).

### **Summary**

As wealth owners move from one jurisdiction to another, an opportunity to restructure the ownership of family wealth for succession planning purposes presents itself. Simultaneously, this provides an opportunity to implement the initial organisation of an ongoing family office and the tax neutral organisation of family affairs.

Dixcart works with each family wealth structure to coordinate communication with the family and to provide access to, and liaison with, additional independent, professional advisers.

Plans can be put in place to allow for changes in a family's structure and relationships to be recognised. Dixcart can coordinate variations in structure to accommodate individual and specific family wishes, whilst complying with the overall family office policy.

If you would like further information, please speak to your usual Dixcart contact or to one of the professional advisers in the [Guernsey](#) and [Isle of Man](#) offices: [advice@dixcart.com](mailto:advice@dixcart.com).

Each of the nine offices in the Dixcart Group provide wealth management services. In addition to Guernsey and the Isle of Man, the Dixcart offices in [Cyprus](#) and [Switzerland](#) are licensed to offer trust services.

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