

## Why there is a Rise in Clients Requiring Succession Planning and Structuring Advice

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Covid-19 has provided a reason for many families to 'take stock' and to put in place or revise practical measures regarding succession planning.

Since the breakout of Covid-19, more individuals are now reviewing their estate and putting practical measures in place regarding succession planning. Covid-19 is certainly not the main catalyst for encouraging individuals to review their affairs, it has definitely reinforced the importance of it.

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.

### **8 steps to successful succession planning**

1. Identify exactly what the intended outcome of the succession planning should be.

2. Establish policies and set up a review procedure to ensure the adequate preservation and transfer of wealth to the next generation.
3. Review the ownership structure of any relevant businesses and other assets. Some family businesses may have employees they would also like to include within the planning, just as much as family members.
4. Understand how relevant local laws would apply, in relation to inheritance. Consider where all relevant family members are resident, and also tax resident, and what the implications of this might be regarding the transition of family wealth.
5. Consider or review structuring options, including the use of holding companies and/or family wealth protection vehicles such as family investment companies, foundations, trusts, etc.
6. Review international investment structures, including the holding of real estate, from a tax and asset protection perspective.
7. Confidentiality procedures needs to be developed to deal with relevant confidential information requests from financial institutions and third parties.
8. Identify key successors and their roles, develop open communication amongst family members, especially regarding decision making and ongoing processes.

All of the above steps should be considered in order to protect an individuals or family's wealth and/or business(es) in the case of unexpected events occurring; it is also imperative to review the above steps on a regular basis and seek advice regarding the most appropriate legal structures.

### **Corporate Family Investment Structures**

A family investment company is a company to 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.

For more information regarding the benefits of a family investment company: [Why use a Corporate Family Investment Structure and Why Use a Guernsey Corporation?](#)

### **Trusts, Foundations & Private Trust Companies**

Trusts continue to be a popular structure when undertaking estate and succession planning and are used by many Common Law jurisdictions. A trust is a very flexible instrument; at a basic level, the concept of a trust is relatively simple: The Settlor places

assets in the legal custody of another (Trustee), who holds the assets for the benefit of a third party (the Beneficiary).

The Trustees are those who oversee and control the trust. Their role is to deal with the assets according to the Settlor's wishes and manage the trust on a day-to-day basis. Therefore, the consideration of who is appointed Trustee is extremely important.

In a similar vein a Foundation can fulfil many of the same functions in Civil Law countries. Assets are transferred to the ownership of the Foundation which is governed by its Charter and managed by a Council for the benefit of the beneficiaries.

A Private Trust Company (PTC) is a corporate entity authorised to act as a Trustee and is often used as an asset protection vehicle. The use of a PTC can enable the client and his/her family to actively participate in the management of the assets and decision-making process.

Switzerland recognised trusts with the ratification of The Hague Convention on the Law Applicable to Trusts (1985), on 1 July 2007. Switzerland is in the process of enabling its own trust legislation and already trusts from other jurisdictions, formed under their specific rules, are recognised and can be administered in Switzerland. The use of a Swiss company as a Trustee can be attractive with the perceived extra layer of confidentiality afforded by Swiss legislation.

An English, Guernsey, Isle of Man or Maltese Law based trust with Swiss Trustees can offer a number of tax efficiencies as well as advantages in terms of wealth preservation and confidentiality. Dixcart can establish and manage such trust structures. More information regarding the benefits of using a Swiss Trustee can be found here: [The Use of a Swiss Trustee: How and Why?](#)

## **Summary**

During periods of uncertainty and global turmoil, as inflicted by Covid-19, more of our clients are focusing on making sure they are safe-guarding their family wealth for future generations, offering stability and long-term security. Succession planning and the transfer of wealth to the next generation is a critical issue that should not be overlooked. Not only is it a means to implement generational transition, but also to protect and structure a business. 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 an important consideration.

The Dixcart Group has over forty-five years' experience in assisting clients to run and manage Family Offices. We are very familiar with the issues facing families in this ever-changing international world and have extensive experience in providing trustee services across a number of jurisdictions.

We work with each family wealth structure to coordinate communication with the family and their advisors or to provide access to, and liaison with, additional independent professional advisors. Plans can be put in place to allow for changes in a family's structure and relationships to be recognised. We also make sure that during the implementation of such structures, relevant tax implications are reviewed and there is full transparency. More information can be found here: [Private Client Services: Trusts, Foundations, Family Office.](#)

If you would like further information regarding effective structuring and succession planning, please speak to your usual Dixcart Manager or contact: [advice@dixcart.com](mailto:advice@dixcart.com).