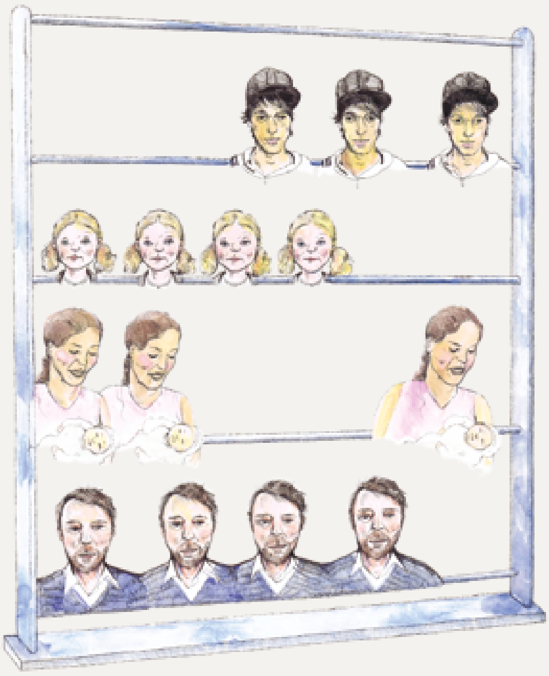
A changing paradigm



Why it’s time to replace off-the-shelf products
with a more strategic approach

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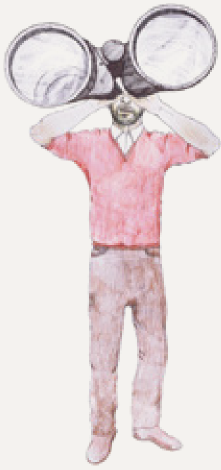
The past is always judged by the present

The relationship between clients and fiduciaries in the trusts and foundation industry used to be simple. Clients (or their intermediaries) wanted a rapid and efficient way to protect their wealth.

And, at a time when regulatory requirements were low, fiduciaries met this need with off-the-shelf products that could be set up in just a few hours, for just a few thousand Swiss francs. Yet beneath this seemingly simple, transactional relationship, there was an unanswered question.

Could these off-the-shelf, template products really meet the long-term needs of the client and their successors? And just as importantly: could they meet the needs a client might not even anticipate, like a premature death or unexpected divorce?

> **Our industry used to have a reputation for quick, standardised solutions. But in a rapidly changing world, isn't it time for a more long-term approach?**



Understanding on both sides

Of course, we've all heard stories of what happened when this relationship turned sour. Take the first-generation entrepreneurs who established fiduciary structures in the 1990s.

First, they found themselves with products that no longer met their needs.

And then, since they may not have been made fully aware of the legal consequences of endowing assets (such as a foundation), they were unable to change the initial set-up.

Needless to say that, in the old world, where the financial and fiduciary industry was much less regulated and transparent, the business for fiduciaries may have been too comfortable. And, sometimes, this may have led to a lack of depth and professionalism.

In our experience, it's exactly this lack of understanding of how foundations and trusts really work, combined with a lack of attention to the real planning purpose and proper governance of such structures, that cause the most problems.

Imagine an entrepreneur establishes a foundation with the primary objective of protecting business and other family assets, but also intending to preserve the wealth for future generations. And that, during their lifetime, the fiduciary consults with the entrepreneur on how to administer the foundation's assets. Or that the entrepreneur is even part of the board or the advisory body of the foundation.

In this scenario, it might seem natural for the descendants to believe the assets still belong to their family and will be handed over to them after the decease of the foundation's founder. And for the descendants to become frustrated when the fiduciary explains the assets are in the ownership of the foundation. And that they are unable to dispose of the assets, preserving them instead for the long-term.

Of course, not owning an asset can bring enormous succession, protection and tax benefits. Which makes choosing the right wealth advisor and fiduciary even more crucial, along with putting the right checks and balances in place.

Getting to know one another

How can you avoid such a situation? How can you make sure your plan works for your family — and that your family really understands the plan? For us, it all starts with understanding the short-term as well as the long-term purpose of the planning – including the desired future interests and roles of descendants and other family members.

Under the old model, this rarely happened. In fact, a client and their fiduciary might know remarkably little about each other. Often, a fiduciary was appointed on price, and how quickly they could set up and operate an off-the-shelf-product.

As such, a client might not have direct contact with their fiduciary — which also meant they didn't know who looked after their wealth, or what they were getting into. Real trust could simply not be built. Likewise, a fiduciary might not know much about the client.

Most importantly, a fiduciary often knew little about a client's ambitions — or whether the chosen legal structure was really right for their needs.

But in a new world, where the younger generations are generally more involved, it's essential for clients and fiduciaries to build closer relationships and to continuously define and understand the roles of everyone involved. From family retreats to regular 'health checks', there are a range of ways to do this.

A plan with a purpose

"Do you set up foundations and trusts?" This is often the first question asked of a fiduciary. In our opinion, it should be the last.

Think of it as a matter of substance versus form. An entrepreneur's life is the substance. Their wealth and family, ideas and aspirations. It is complex, multidimensional, and potentially fraught with difficulties.

And the form in the past may have been a two-to-three page document, written in abstract, designed for use by hundreds of others. How can such a form ever embody the substance? How can a template contain the complexities of a specific settlor's life?

It may sound obvious, but the first step to creating a plan that really works is to understand the purpose of the plan. Through this, a fiduciary together with the other advisors of the settlor and their family can understand the ultimate purpose before they decide on the form. And they can then put in place proper governance, including the roles and balance of power between the fiduciary and all related parties — including founders, settlors, protectors, advisory boards, and beneficiaries.

A plan that achieves its purpose

Of course, every family is unique. Every client has different aspirations and anxieties for their wealth, and their successors. But in our experience, there are a few main purposes that a plan may achieve:

1. **Protect your assets**
   To truly protect your assets, you need to decide how much influence you want for yourself as well as for your successors. The more control you exercise over an asset (or business), the easier it is to associate it with you and your family for legal and other purposes, and the more vulnerable the asset becomes with regard to disputes - whether coming from within the family, or from outside.

2. **Plan for succession**
   It's important to leave a detailed plan setting forth what happens after your death. If a plan considers the perspectives of both the family and the fiduciary, it will enable harmonized interactions and constructive, continued communication and cooperation. No template document can possibly contain all the things you want for. A bespoke, strategic solution can.

3. **Plan for every contingency**
   Of course, protecting your family means more than preparing for your death. Most template documents don't consider all the other possible contingencies. What happens if you are incapacitated? Or if family members move their residence? Or your business suffers an economic downturn or is sold? Your structure should account for them all.

4. **Enable strong governance**
   A foundation or trust is a good platform to maintain business, investment and family governance. With the right checks and balances, they're also a useful way to involve family members and beneficiaries in steering the family wealth. Whether it's granting extensive information rights, appointing them as protectors or, implementing advisory committees to take a leading role in important business and investment decisions. Plus, they can be useful in educating the younger generations.

5. **Protect your family**
   You define the circle of people who are your family and your successors. So it makes sense to involve all relevant generations in planning and maintaining your plan. That way, you can contribute substantially towards creating harmony amongst your dear ones and protect them and their interests over the long run.

A partner you can count on

At Kaiser Partner, we have decades of experience in creating and managing foundations and trusts in the Principality of Liechtenstein and in Switzerland. In doing so, we have helped wealth owners around the world navigate the challenges of wealth.

We know how critical these planning tools can be to the happiness of entrepreneurs and their families. But we also know that no one advisor has all the answers. That's why we not only invest the time to truly understand our clients' needs. We also bring together experts from across different areas and disciplines.

We call this approach 'The Wealth Table'. It's how we create, together with their advisors, holistic plans to protect our clients' wealth and families for years to come.

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