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Trusts

A family office in Switzerland can act as trustee or take another role in your family trust. All kind of assets can be held in a trust, and trusts are a great instrument for protecting wealth and privacy, as well as compliant tax planning. For generations, trusts have been used to protect wealthy families’ assets from tough economic and political conditions. Family offices in Switzerland very often suggest the use of trusts to their clients.

What is a trust?

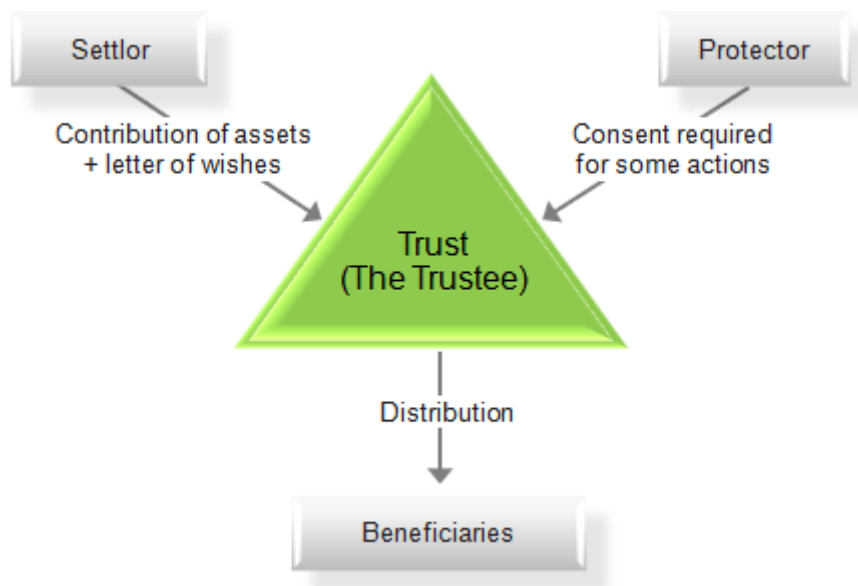
For most of us, a trust is a very complicated structure to understand, but it can be an excellent planning tool, especially for wealthy, international families. Trusts are used by numerous wealthy and well-known families around the world, and are often suggested by their family offices, as a way of separating some or all of their assets.

A trust can best be described as a legal arrangement (a legal form) through which the legal ownership of assets is transferred to the trustee in order to keep these assets for the benefit of others (the beneficiaries); the equitable ownership of the assets is thus deemed to be held by the beneficiaries. Trusts are established based on the trust law of common-law countries and date back to the time of the Crusades. Although trusts are a common-law structure, the trust and trustee can be based in Switzerland.

| A basic Trust principle - Separation of Ownership | |
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| Before Trust established | After Trust established |
| Settlor Legal and Equitable Owner | Trustee Legal Owner Beneficiaries Equitable Owner |

Who plays which role in a trust

The person establishing a trust is called the settlor. The person or company managing and legally owning the trust's assets is called the trustee; very often, a multi-family office acts as the trustee. The trustee controls and manages the assets, but the beneficiaries are entitled to all (the benefits of) the assets and profits of all property held by the trust. The settlor informs the trustee of his wishes as regards the management of the trust in the so-called "letter of wishes". In most cases, these are non-binding instructions to the trustee about the management of the contributed assets and potential distributions to beneficiaries. The settlor often also appoints a protector. A protector is, in short, someone who checks the (acts of the) trustee on behalf of the settlor or someone who may, for certain decisions, act as an advisor to the trustee. Normally the protector is somebody in whom the settlor has every confidence. A multi-family office could act as trustee of the family's trust, or could fulfil the role of a protector.



The use of a trust for wealth protection and privacy

Most wealthy families use trusts to hold, for example, the shares of the family holding or significant real-estate projects, as they are extremely useful for asset protection. If a trust is structured correctly and based in the right jurisdiction, it is an excellent tool for protecting a family's assets from any possible threat inside or outside their home country, because these assets are transferred into the possession of the trustee. Trusts are also a great tool for compliant international tax planning and for safeguarding your privacy. A trust offers a high level of privacy due to the fact that they are (so far) not found on any public register, in contrast to most corporate structures. The existence of a trust is therefore very difficult to discover. In a large number of countries this feature is vital, as the safety and security of the family could depend on it. It is mainly for this reason that a family office regularly advises establishing a trust.

Taxation of trusts

Trusts are not recognised in every civil-law jurisdiction. As a result of the lack of recognition by tax authorities in civil-law countries, it is sometimes unclear whether, how and when the assets being held by trusts are taxed. It can also be unclear whether, how and when distributions by the trust are taxed once they are distributed to the beneficiaries. On the other hand, the family's wealth can sometimes remain fully compliant and untaxed for generations due to trust structures. For this reason, it is extremely important that professional (tax) advice be sought before a trust is actually set up.

A multi-family office in Switzerland can assist you in setting up a trust and can provide trustee services for you.