Asset Protection and Succession Planning

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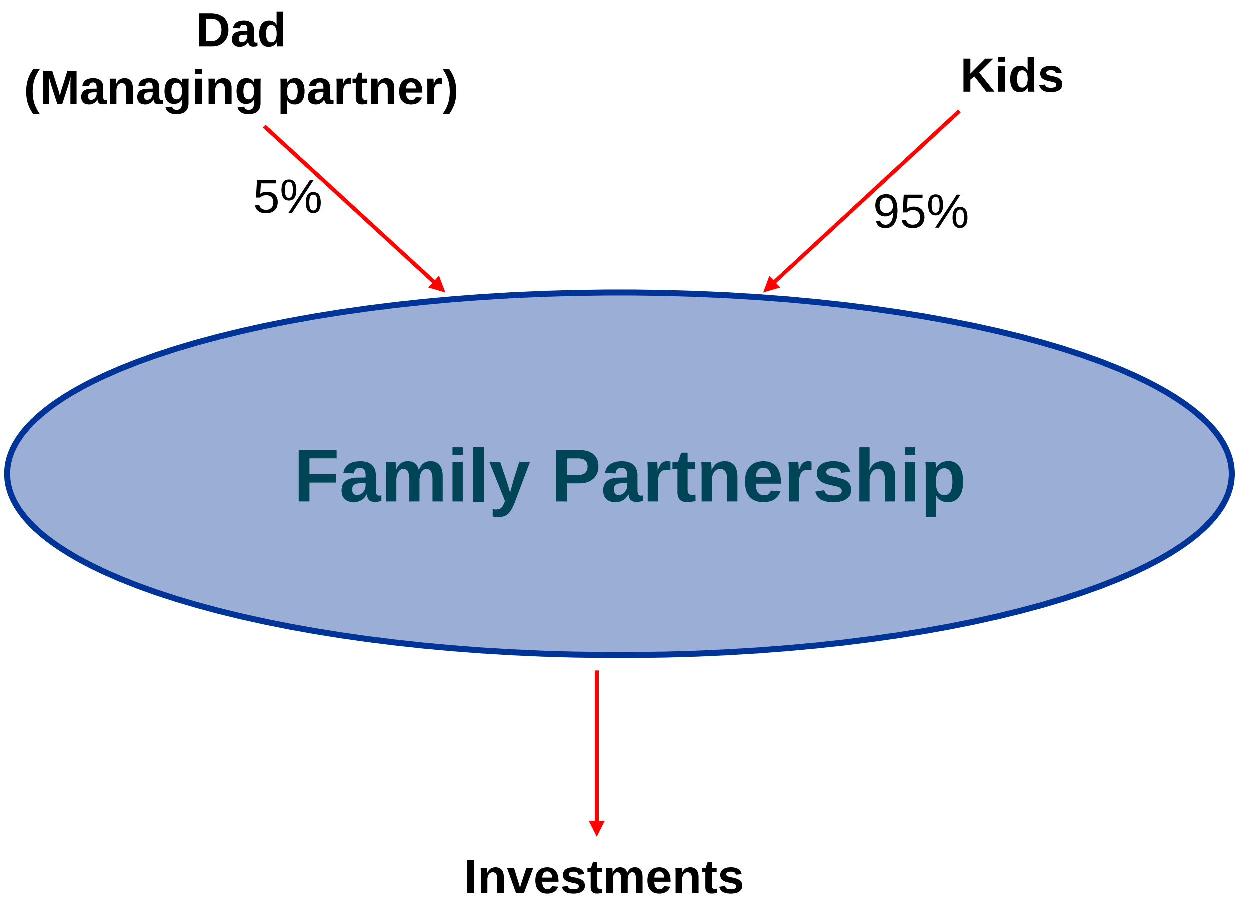
We will look at

- Current succession planning structures
- Taxes on wealth
- Constructing tax efficient investment portfolios

Succession planning structures

In fashion in 2005

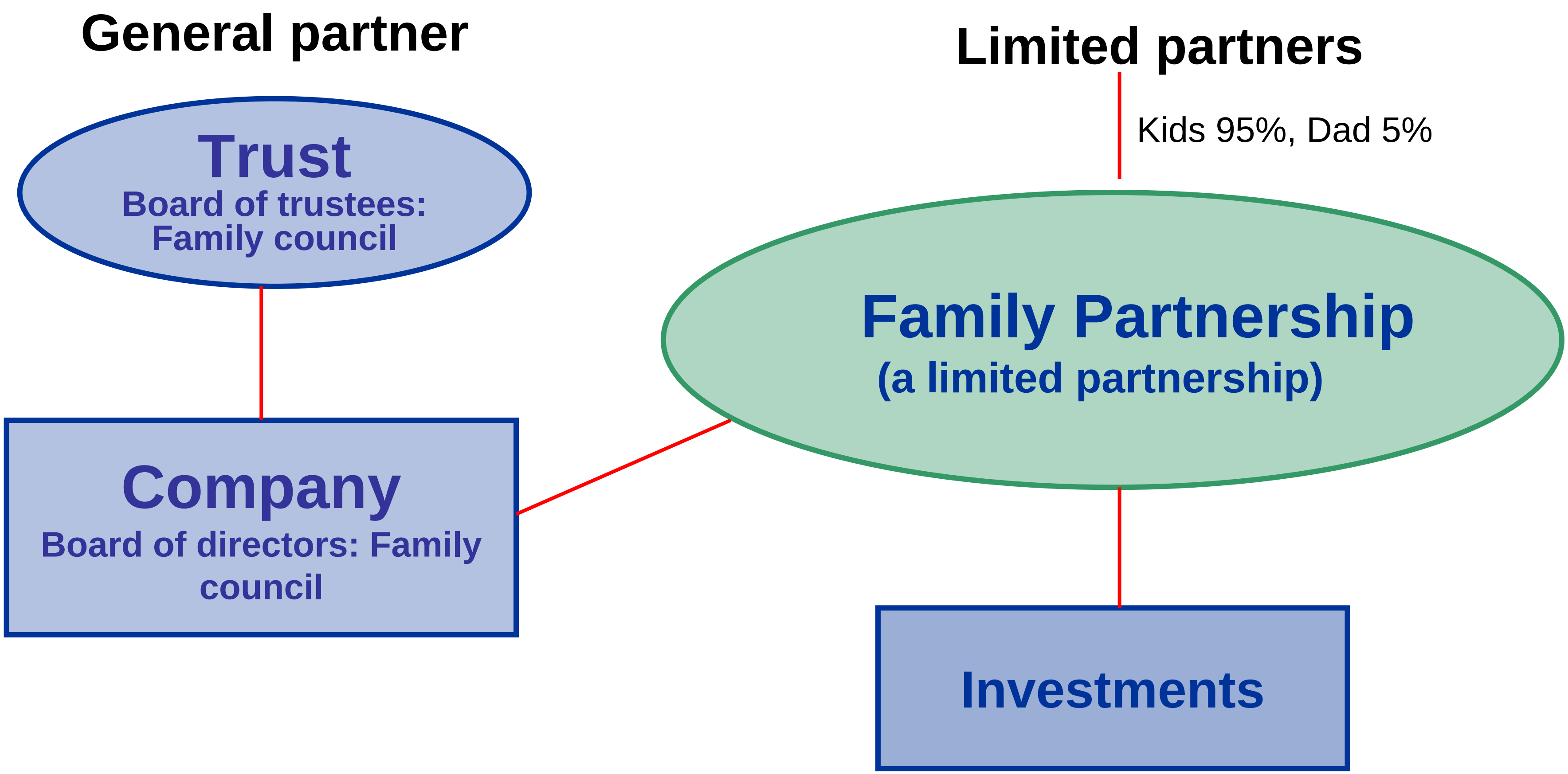

Dad
(Managing partner)
Kids
5%
95%
Family Partnership
Investments

Why use a Family Partnership?

- CAT planning
- Family investment structure
- Wealth protection
- Avoids close company surcharge and double layer of tax

Lace is back in 2011 (with a twist)

Overview of structure



Governing structure

- General partner responsible for decision making
- General partner is a company
- Board of directors:
  - Mum/dad, one of children, family solicitor, other adviser
- Company is owned by a trust
- Seamless

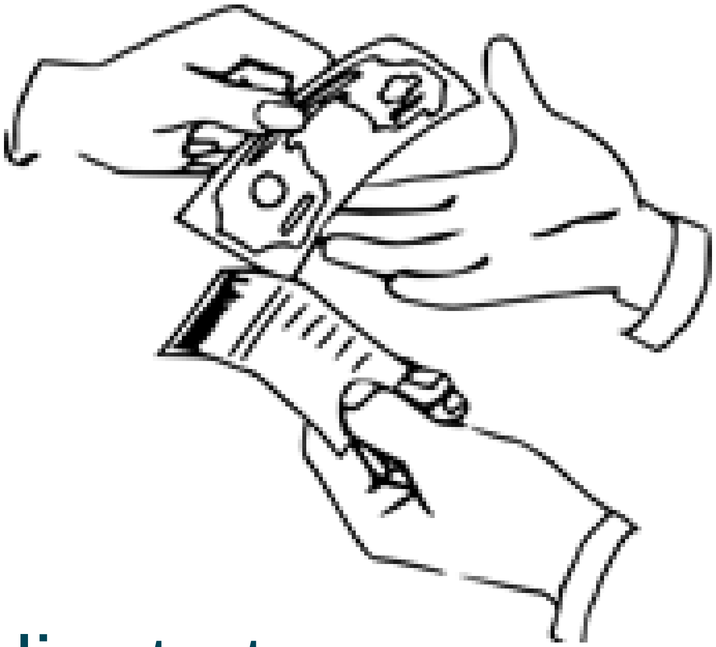
Back in vogue

The offshore trust

Why?

- Protection against future creditors
- Succession planning

Offshore discretionary trust



- Client transfers cash

Beneficiaries

- Client, spouse, children

- Cash can come back to client at any time, tax free

Succession planning

- Assets pass separately (outside of Will)
- Privacy
- Avoids probate issues
- Easy to update as children grow older
- Spreading risk of mismanagement/misappropriation

Offshore discretionary trust

- Generally tax transparent

- Tax efficient investments
  - EU/EEA etc funds
  - EU deposit interest

The new “black”

Mandatory disclosure of certain transactions

Mandatory disclosure

- Now a feature of our everyday work/planning
- Disclosable transaction?
- Are you responsible for reporting?

Taxes on wealth

Wealth tax


I'm afraid Ireland might introduce a wealth tax – what should I do?

Wealth tax (cont)

- Real fear of tax that erodes asset base
- Experience in other countries e.g. France

Is it possible?

- Ipsos MRBI Poll Nov 2010
  - 82% in favour

- Could we take preventative measures without major costs?

What form might it take?

- Wealth Tax Act 1975
- Domicile levy 2010

Wealth Tax Act 1975

- 1% on amounts over £100k (couple)
- Indexes up to €1m (2010)

What was liable to wealth tax?

- PPR not included
- Reduction of 20% for private trading companies and other property used to provide employment

Were there any angles?

- Assets of minor children included
- Assets in discretionary trusts and companies included
- Assets in foundations, stiftungs, anstalts not included

Domicile levy 2010

- Irish property of over €5m
- Any property transferred to spouse, minor children, discretionary trusts or foundations for less than market value
- Term “foundation” very widely defined
- Only catches transfers on or after 18 February 2010

Worth a punt?

Transfers of wealth now to offshore discretionary trusts or foundations

We don’t need a wealth tax to erode wealth!

- Domicile levy
- 8 year funds/life policy charge

8 year funds/life policy charge

- Fund bought in 2003 for €100,000
- Value in 2011 €130,000
- 8-year charge €30,000 at 30% = €9,000
- If not correctly returned tax could be €16,500

8 year charge: some thoughts

- What information do tax practitioners get?
- Domestic funds – no risk
- Good time to switch investments…

Which fund to sell?

1. Cost €100,000, now worth €150,000

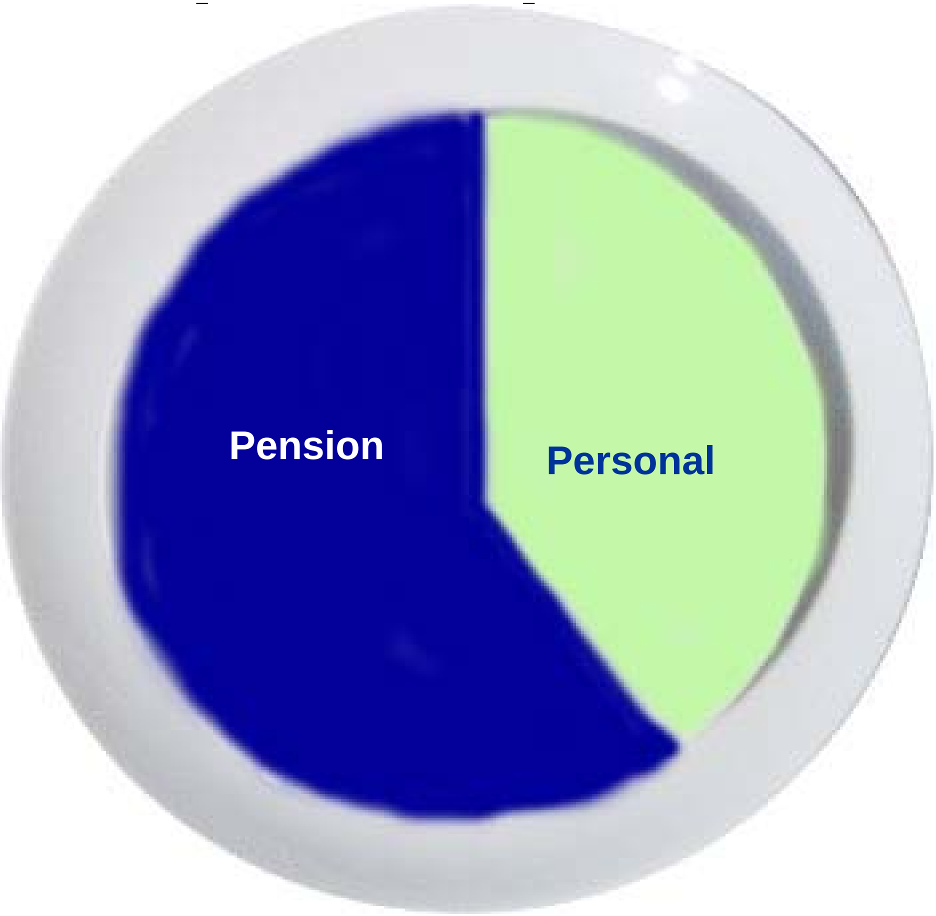
2. Cost €200,000, now worth €150,000

3. Cost €90,000, now worth €150,000 and just paid the 8-year charge

Constructing tax efficient investment

portfolios

Investment portfolios – individuals



The “personal” pot – max. rates

• Irish/EU deposit interest	31%
• Gains on Irish/EU etc funds or life policies	30%
• Annual payments: Irish/EU etc funds	27%
• Direct equities/CGT investments	25%
- If CGT losses	0%

Recent trends

Defensive investing

• High yield equities	55%
• Swiss deposits	55%
• Bonds	55%

Hold within pension fund

Companies – investment portfolios

- Companies: most investment income is 25% (plus close company surcharge)
- Domestic funds/life policies - no close company surcharge

Companies: direct equities

Plc dividends:

- $12^1/_2\%$ (foreign) and no surcharge
- 0% plus surcharge (Irish)
- CGT 25% - losses?

Thank you