

Agenda

MAY 2008

FROM THE EDITOR

Family matters

Family businesses are making a comeback. Eclipsed by the ideal of broad-based public ownership in the 1980s and 1990s, the family-run firm is regaining traction, as our ranking of the top 10 European listed family companies shows (page 8). The problem is how to ensure success and wealth are transferred to the next generation. The conventional wisdom is that most newly-created wealth fails to last more than three generations. It is spent, squandered or dispersed through family squabbles. Recognition of this fact is driving the growth in investment and advisory services aimed at wealthy families. It may be impossible to anticipate the actions of future generations, but you can, at least, put in place a sensible structure to try and preserve wealth. Whatever your level of assets, there are lessons to learn, given the priorities for rich families are wealth preservation and growth.

The aim of the monthly Wealth Bulletin is to deliver the best coverage of Europe's wealth industry, providing the insight and ideas to help you navigate the often treacherous waters of wealth management. Next month, we will be exploring sustainable investing and asking whether the wealthy can save the world. In the meantime, enjoy the read.

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FINANCIAL NEWS

LIQUIDITY EVENT

Swimming with sharks

By Francis Claessens



With new wealth comes a new set of dangers. You enter a world where greed and conflicts of interest are taken for granted and advisers are under constant pressure to squeeze more fees from clients.

Twenty years ago, when I sold my business, I felt confident of being able to handle tax consultants, bankers and investment advisers. But when it came to managing my wealth I made some costly mistakes.

My first, expensive lesson involved tax planning. I lived in Holland and had put in place a good legal structure for my assets using a small, local tax firm. But following the sale of my business I thought I needed one of the "big five" consultancies, as they were then, to handle my new "big" situation. The partner I dealt with came up with good ideas but I noticed others in my situation moving to neighbouring Belgium. I contacted a partner in the Belgian office of the same firm. It took a 20-minute discussion to convince me I was going to cross the border, the tax advantages were

"GREED AND CONFLICTS OF INTEREST ARE TAKEN FOR GRANTED"

too overwhelming to be ignored.

My Dutch consultant came up with excuses for not mentioning the Belgian option, but it was clear the main reason was that the advice would have removed me from his client list. Even a referral to his colleague across the border was too much to ask.

It is possible to pay virtually no tax in Belgium as long as you have access to an offshore company created before March 1992 with enough capital already in it to host your investable assets. The snag was that Mr big five in Belgium did not know of any such company available. I started shopping myself.

My first stop was Curacao, where I contacted the same tax firm. No luck, they told me. I enquired about the other Caribbean offshore jurisdictions. Oh no, they said, it's

a jungle out there: underdeveloped islands ruled by the local mafia.

Rather than take them at their word I decided to explore myself. I retain the best memories of Grand Cayman: not only were all the big banks, accountancy firms and tax advisers represented locally, but the seaside restaurants and beach parties made me stay an extra week.

I found my offshore company and learnt a valuable lesson: in wealth management, if an adviser cannot sell you a service directly and enjoy the fees they will not mention it, no matter how advantageous it may be for you.

You may be an experienced and successful business person, but your innocence in wealth management creates the ideal feeding ground for advisers to take advantage of you. The wealth management industry may be less opaque than it was 20 years ago. But it is far from transparent, and plenty of sharks remain. *Francis Claessens is founder of Peers, a networking group for the wealthy*

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