

THE NEW BREED OF INTERNATIONAL FAMILY

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With a keen eye on the evolving needs of geographically diverse families and their businesses, Guernsey is now serving client bases far beyond the former epicentre of the UK, while also moving up the value chain, says Carola Zoni of IQ-EQ in an article for the eprivateclient Guernsey 2019 report: A Global Island.

As fiduciary professionals, we are operating in a rapidly evolving world of international families and ownership structures; one where international regulation and compliance requirements become increasingly complex just as clients become more global in their outlook. The old order is giving way to the new, with new geographies and enhanced services coming to the fore as we seek to cater for the new breed of international family.

The situation in Guernsey is no exception, where we're experiencing a marked shift away from our past UK-centricity. Moreover, some family structures are starting to resemble cross-border company structures as international footprints widen and needs advance.

Expanding horizons

The United Kingdom was formerly the stronghold for fiduciary business in the Channel Islands, and Guernsey in particular. Our client base consisted primarily of individual families and corporates with deep connections to the UK in the form of properties, family members and advisers, as well as UK resident non-domiciled (RND) individuals. Nowadays, there is less focus on the UK as new opportunities present themselves across the globe.

At IQ-EQ Guernsey, we're welcoming growing interest from families in Greater China, particularly Hong Kong, as well as from Southeast Asia. Indian clients appear to be another emerging client base. Our own experience reflects the findings of Knight Frank's 2019 Wealth Report, which reveals that Asia has become the biggest hub for billionaires, with India forecast to see the highest growth in ultra-high-net-worth (UHNW) individuals over the next five years, followed by the Philippines and China.

The Middle East has long been well-represented in our client roster, and we're seeing this segment continue to grow – especially in relation to asset protection and family wealth planning services. We're also supporting a lot of club investing into European commercial property, with investors coming from the Gulf Cooperation Council (GCC) and Levant countries as well as Southeast Asia.

In addition, we continue to receive an increasing number of enquiries from the former Commonwealth of Independent States (CIS), driven primarily by asset protection needs, and recent opportunities are indicating much untapped potential in Africa and Latin America.

Sophisticated services for sophisticated needs

Beyond the geographic diversity of our clients, gone are the days of simple trust and company structures for a straightforward investment portfolio or residential property. The needs of global families are becoming much more sophisticated, meaning service providers must go above and beyond to add value.

For example, we're seeing an increasing interest in family investment companies and quasi family office solutions – almost incubating future family offices. We are also witnessing continued growth of corporate fiduciary structures, including listing vehicles, share schemes and structures for remuneration and reward purposes connected with M&A activities. Large corporate structures are consolidating into one well-regulated and stable jurisdiction in order to achieve substance and operational efficiencies. More private wealth structures are using grantor trusts for US beneficiaries. And as impact-conscious millennials start steering family fortunes, we are seeing fast-growing interest in philanthropic structures – including foundations used for Zakat (the Islamic principle of donating a percentage of one's wealth to charity).

Flight to quality, safety and risk migration

So what, beyond the growth of global wealth, are the core drivers behind this continuing client and service evolution?

Wealth preservation, asset protection and succession planning are taking on a while new dimension as international families realise the need to take account of diverse jurisdictional laws regarding inheritance, estate taxes and recognition of wealth planning structures. For example, some countries levy taxes on an individual's estate; others levy on its beneficiaries. Some countries do not recognise the concept of common law trusts.

International families are also moving and structuring their wealth across borders with a view to minimising the impact of certain overarching risks. It may be necessary to weigh up the potential financial impact of certain geopolitical issues; for example, Brexit, Trump's trade war with China, or the ongoing tensions in the Middle East. Clients based in the faster growing areas of the world tend to face challenges relating to political instability and uncertainty. They are frequently looking to diversify their citizenship as a means of wealth protection and succession planning. Technology and mobility are acting as catalysts for this growing trend.

Recent international incidents have resulted in heightened sensitivity to the reputational risk of using certain offshore jurisdictions. Moreover, transparency regimes like the Common Reporting Standards (CRS) are driving families from countries with tax authorities that are believed to have little integrity, to those demonstrating a lasting commitment to compliance for personal security reasons.

Added to all of this is a much greater willingness among the globally savvy and highly educated younger generations taking the helm of a family business to seek professional help outside of the family circle.

As a result, formal wealth structures are increasingly being established or relocated in high-quality jurisdictions with robust regulatory and legislative regimes as well as world-class communities of expert advisers and service providers, such as Guernsey.

Today, the primary client base of Guernsey's fiduciary sector consists of international families making cross-border investments in the context of rising regulatory complexity. With challenge comes opportunity, and we firmly believe that Guernsey will continue to thrive.

An original version of this article first appeared in the eprivateclient Guernsey 2019 report: A Global Island. [Click here](#) to access the full report.

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