

## LIECHTENSTEIN – AN ATTRACTIVE LOCATION FOR ASSET PROTECTION

# EFFECTIVE INSTRUMENTS FOR THE PROTECTION OF ASSETS

**Protection and security of private assets is a basic human need which, as a result of globalisation, has taken on a new accent. There are various legal and company forms available, on the Liechtenstein Financial Market, which provide asset protection. Liechtenstein, because of its stability, its reform of company law and the application of global standards, has remained an attractive asset protection location.**

Security is one of the fundamental human needs. There is a desire to secure one's assets – not only in unsettled times. There are numerous conceivable motives to maintain one's assets for the future: for one's family, successors, the protection against claims by third parties or the preservation of a company beyond the death of its founder. For decades, the Principality of Liechtenstein has been one of the safest places for the protection of ➔

## NEW IMPULSES FOR THE LIECHTENSTEIN FINANCIAL MARKET PLACE

The Government of the Principality of Liechtenstein, in close collaboration with active financial services business associations, developed an integrated financial market strategy, which was implemented at the beginning of 2013. This new model allows Liechtenstein, together with market participants, to successfully and sustainably shape the future of the financial sector. In addition, it is possible to actively embrace and solve, at an international level, the great challenges that Liechtenstein's financial market faces. Subjects such as tax cooperation, the fight against money laundering and corruption as well as investor and consumer protection also play an important role.

To safeguard the future direction of the financial market place, the integrated financial market strategy has created structures which guarantee fast and comprehensive coordination. Liechtenstein is thereby pro-active in respect to international developments which contributes to maintaining the reputation of the financial market place Liechtenstein.

In autumn 2014, under the title "Impulse Liechtenstein", the government instigated the first measures directed at the dramatically changing market conditions and tightening locational competition. The measures are aimed at the expansion of current business, the development of new business models and the location of new companies. In order to strengthen the ongoing procedure of brainstorming, on the one hand, and the corresponding implementation on the other, the Ministry of Government Affairs and Finance offers a new structure for the development of the financial sector. Companies and private individuals with the same market interest can network in Innovation Clubs in order to compile unified strategies and new business ideas. At the same time, an Innovation Club offers the possibility to present a specific request on the framework to the government.

On 24<sup>th</sup> October 2014, five representatives of the Liechtenstein finance and business sector established a charitable foundation "Zukunft.li" (Future.li) as a liberal and independent think-tank to address economic and social issues of the country. The think-tank, based on the "Think-Tank Avenir Suisse", will commence operations in summer 2015. The premise behind the foundation is that the impending challenges cannot solely be met by the State, moreover that the State should create the conditions for individual initiative and responsibility.

# Liechtenstein: A Financial Market with Liberal Economic Policies and Appealing Company Taxes

## EDITORIAL



Various international financial centres recently adopted measures to increase their attractiveness and remain competitive. Global competition has become increasingly evident in the field of financial services. Independent of ever tightening global regulations, Liechtenstein has to face these challenges. Whereby Liechtenstein's financial market place has the best conditions at its disposal. The implementation of international standards and the construction of an international tax agreement network, over a short period, are the result of excellent cooperation between business and governmental authorities. Liechtenstein is one of the few countries in which, during the financial crisis, no state support for banks was necessary. The AAA country rating remains unchanged, emphasising the stability of the country and its economy. This is complemented by decades of experience in the development of tailored services and products. The Liechtenstein financial market place can look to the future with optimism.

Yours sincerely,

Dr. Norbert Seeger

wealth. Asset Protection was a focal point in the drafting of Personal and Company Law, way back in 1926, and has been systematically developed throughout the decades of experience gained in the administration of assets.

Experience and international contacts make the Financial Market Place Liechtenstein to a location for asset protection, offering various legal forms which can be tailored to meet the individual requirements of clients for the protection of assets. Liechtenstein has at its disposal the necessary expertise to competently and reliably advice clients: banks, insurance and trust companies together with lawyers are a pillow of trust, reliability and privacy. In addition, over recent years, Liechtenstein has adopted the global standards on the reception and administration of assets and has become a leader in the international community.

### Political Stability and International Standards

Historical and current events are the reason why Liechtenstein has become particularly suitable for asset protection. Political stability and a liberal economic policy have allowed the development of a strong business location which is characterised by an international financial service sector, innovative work places with numerous high tech companies. Liechtenstein has been a member of the European Economic Area (EEA) since 1995 and has also been able to maintain its Economic and Customs' Union with Switzerland since 1923.

Membership of two economic areas, the Swiss Franc as a stable currency, have facilitated Liechtenstein's excellent position in a global context. The adoption of international standards on tax matters and the fight against money laundering, while maintaining the protection of privacy for the customer, has placed Liechtenstein, globally, in a positive position.

Liechtenstein also cooperates internationally on tax matters. As early as 2009, the government

made a commitment to the OECD standards on transparency and information exchange and offered interested states bilateral tax agreements on the cooperation to prevent tax evasion and tax fraud. Based on this, by the end of 2014, corresponding Tax Information Exchange Agreements (TIEA) and Double Taxation Agreements (DTA) will have been reached with over 30 states.

In a further declaration in 2013, the government reiterated Liechtenstein's commitment to the recognised OECD standards. At the same time, the government, in cooperation with trade associations and market participants, developed an integrated financial sector strategy. Based on these declarations and the traditional orientation of the financial service sector with regard to asset protection, Liechtenstein's financial sector has actively focused on asset structuring and asset management.

### Excellent Framework for Asset Protection and Estate Planning

Decades ago, Liechtenstein laid the foundations for the provisions of an attractive framework for asset protection. A series of legal forms, incorporated in the 1926 Person and Company Law, have been recently adapted to meet the current international climate and are admirably suited for the safety and protection of private assets.

The Foundation and the Trust, taken from Anglo-Saxon Law, are particularly suitable for the protection of assets of private individuals after their demise. The Liechtenstein Lawmakers have, when reforming the Foundation Law, succeeded in creating a balance between the legitimate interest of the founder for the protection of private assets and potential claims by third parties.

### Asset Protection for the Conservation of a Company

The focus of interest is the separation of the fate of the owner from that of the company. The private assets of the company gain independence through asset protection.

# Asset Protection and Inheritance Planning: Two Core Competencies of the Liechtenstein Financial Sector

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There are various motives behind the justified desire to safeguard and secure private assets:

- **Asset Protection for the Conservation of a Company:** The protection of assets, especially those of family companies, is essential when securing the continuity of the company. Companies today are subjected to the growing risk of liability claims. Therefore it is understandable that an entrepreneur wishes to safeguard certain assets for his family, especially when the entrepreneur has invested his private wealth in the company. An entrepreneur can, by placing his wealth in a foundation, secure it for future generations. This can also be achieved by transferring a part of the company into a foundation. A company foundation also holds a company intact for generations to come.

- **Asset Protection against Inheritance Claims:** The creation of a foundation can prevent a family-owned company from being broken up or sold as a result of conflicting interests or disagreements amongst the heirs. It is also conceivable that family members should be safeguarded against inheritance claims from other family members.

- **Asset Protection for Family Care:** A foundation provides various options for the future care of the family. If e.g. an entrepreneur dies unexpectedly, the assets, held in a private foundation, remain untouched, irrespective of whether the business is continued or dissolved. Parents can, via a foundation, secure the education and care of their children. The particular needs of individual beneficiaries can be better catered for than in the terms of a will.

For the afore mentioned aims of asset protection there are a multitude of possibilities.

## Excellent Tool for Inheritance Planning

Liechtenstein Foundations and Trusts are excellent tools for planning inheritance. The founder (in the case of a trust the settlor) is free to nominate any beneficiary. Furthermore, the founder is

free to dictate the extent and scope of individual benefits. Contrary to a testament, a foundation can, in accordance with the wishes of the founder, determine the extent of benefits for future generations. The founder can, by means of provisions and conditions, determine e.g. that a beneficiary will, from a certain age, receive benefits and that these benefits are limited to the yield of the foundation's assets, thereby maintaining the substance of the foundation's assets. In as far as the foundation foresees the possibility of amendments, the founder may retrospectively change the provisions of the beneficiaries. After the demise of the founder, the assets of the foundation do not become part of his estate because the assets are owned by the foundation.

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# Liechtenstein Foundations and Trusts are Excellent Instruments for Asset Protection

## Liechtenstein's Unique Location Advantage

Many arguments – e.g. the experience of the financial sector operatives, political stability, adoption of international standards, close connection to the Swiss and European Economic Area – all favour Liechtenstein as a location. Thereby foundations and trusts are excellent instruments for the protection of assets.

Finally, tax considerations advocate Liechtenstein as the place for asset protection: On 1<sup>st</sup> January 2011 the new Tax Law came into force. Foundations which qualify as private asset structures, i.e. do not pursue commercial activities, are taxed at a rate of 1200 Swiss Francs p.a.

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Telephone +423 232 06 31

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Dr. iur. et lic. oec. HSG Norbert Seeger

PO Box 1618, Am Schrägen Weg 14  
9490 Vaduz, Liechtenstein  
T +423 232 08 08  
F +423 232 06 30  
[admin@seeger.li](mailto:admin@seeger.li)  
[www.seeger.li](http://www.seeger.li)

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