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Perspectives on Wealth Interview Series

Episode 1:

A practical discussion on the meaning of wealth portability in 2020

Contributors



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What does wealth portability mean in 2020?

Andreas Svoboda (AS): Traditionally, wealth portability is a concept that has a direct correlation with the physical mobility of individuals and families. This concept is not new - over centuries, for individuals who were increasingly moving from one country to another, their wealth would generally move with them.

For wealthier individuals and families however, wealth extended beyond the concept of borders, and over time, although the world has evolved into a complex community of countries, laws and regulations, this concept has not changed. In today's world, these individuals are defined as high-net-worth (HNW) and ultra-HNW, their families have a global footprint and it is natural for them to move, live and invest across many countries and asset classes.

To enable this global lifestyle and investments across multiple asset classes, they use a varied set of wealth and succession planning tools alongside international wealth hubs, such as Switzerland, which is the largest global hub for private wealth. Thanks to its long-term

stability, Switzerland will continue to position itself as the most suitable wealth safekeeping destination, especially as there is growing uncertainty across other alternative jurisdictions.

In 2020, although we are in the midst of a global pandemic, for HNW and UHNW individuals, wealth portability means being able to keep living and investing in the same manner as they have been used to over many decades and generations, while addressing their needs to grow and transfer their wealth in an efficient and effective manner.

In practice, how does it work?

Luca Bertacchi (LB): Let's take the example of a Mexican entrepreneur. Let's assume that he has financial assets valued at \$50 million across various jurisdictions. The client is looking to potentially move to Spain in a few years, with a daughter finishing her studies in Madrid and a son who runs the European operations of the family's business. He is looking for a fully compliant and flexible wealth structuring plan, which enables him to hold assets across multiple jurisdictions, while benefiting from simple financial reporting.

In this scenario, the adviser and their client could tailor his planning based on a unit-linked insurance policy, which can be fully customised to the client's personal requirements and needs, and can be set up from inception to comply with Spanish law requirements, so that the client's wealth is already portable, when/if the client decides to move to Spain.

From an asset custody perspective, if the entrepreneur is already a client of a reputable private bank with an international network such as Julius Baer, such portability is automatic also enabling the client to keep his existing relationship in place.

You mentioned the current pandemic, how has it indeed affected wealth portability?

LB: The current pandemic represents an unprecedented situation for our world, industry and clients. It has affected many of their key considerations around their approach to investing and structuring of wealth, with an increased awareness around their own mortality and the importance of making their legacy count. The existing need for protection and preservation has been only intensified by the current highly uncertain environment.

This is a common trend that we see across the 20 markets we currently serve globally. We have observed an overall cautiousness from our clients on whether their existing planning and related investment allocation is efficient and future-proof enough, especially as they are crystal clear on the fact that the pandemic has only added substantial uncertainty to an already highly complex global environment. Moreover, as several countries across the globe are not providing the adequate level of protection these clients seek, they are increasingly on the lookout for another jurisdiction that could be a better fit, to move to and/or to safeguard their assets.

From an international mobility and related wealth portability perspective, although global physical movements have significantly reduced, we have not seen major wealth movements or changes – often because of the fact that many clients already have a second passport or residence in a foreign country and their wealth managed abroad. In the current situation, what these clients seek above all are simple, yet tailored and comprehensive structuring solutions that enable access to long term horizons while providing a suitable level of protection in case of unplanned



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– *Andreas Svoboda*

events. This is why our current focus is to enable such sophisticated planning and portability, even in a world full of travel constraints. In this regard, digital capabilities are being of great use.

So then, how will wealth portability shape in coming years?

AS: It will increase. No matter how complex today's world looks, it has never been more globally connected.

There has never been a larger range of countries and jurisdictions offering HNWIs an appealing ecosystem to live and/or invest in.

Moreover, global wealth is increasing; markets have already recovered from the March 2020 fall and the number of HNWIs in regions across the world continues to grow, especially in Asia, the Middle East and the Americas.

These individuals will continue to increasingly use the existing, and evolving, set of tools available to them, across the international wealth hubs of Switzerland, Luxembourg, London, Dubai, Hong Kong and Singapore.

As their trusted providers of wealth planning and wealth management services, firms such as ours, in collaboration with other trusted partners such as Lombard International, should continue to work together, in order to keep providing efficient tools, which will be additional and highly relevant enablers for them and their families. ●

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