

# SWITZERLAND

## THE HOME OF THE FAMILY OFFICE

**Jan van Bueren** and **Thomas Ming** outline the key elements to look out for when choosing a family office for your wealth management requirements



**A**n increasing amount of high earning business owners and families who have sold their businesses are turning to family wealth management offices to support them, instead of standard wealth management services. When families weigh up the question of whether to set up their own single-family office (SFO) or use the

services of an existing multi-family office (MFO), they often overlook the matter of the jurisdiction in which that family office should be. This is actually an essential element that deserves serious thought.

There are quite a few questions that need answering before deciding on the jurisdiction for a family office:

- In which jurisdiction does the family need support?
- What are the family's goals?
- What should the legal form be?
- Which of the family's (corporate) entities need to be managed, and by whom?
- Which assets need to be preserved and protected?

All these considerations apply when establishing an SFO or choosing an MFO. You also need to select a country that is politically, economically and financially stable, provides easy access to financial service providers, and offers a sound infrastructure where staff are highly qualified and experienced.

A common mistake families make is to choose or create a family office in the same jurisdiction to where they live. Although this can be very practical, for example from a communication point of view, this is often not the best choice when examined from a wealth-preservation perspective. Because one of the primary roles of a family office is to safeguard assets, and to be able to assist the family under all kinds of circumstances. This means that the family office needs to be able to protect the family's assets and interests against geographical, political, religious, personal and economic risks, while remaining fully operational under any circumstances. Therefore, it is only logical that the family office should be located in a secure jurisdiction.

Because unstable and unsafe jurisdictions outnumber the stable and safe ones by far, the majority of family offices will need to be located outside the home jurisdiction of the families they serve. This does not necessarily mean that the entire staff or all services must be located in a foreign jurisdiction; roles such as local secretarial support, lifestyle management services and local real estate management can be (partially) based in the family's original jurisdiction.

In addition to providing stability and security, the jurisdiction of the family office must also:

- Be able to be reached easily
- Be tax-efficient
- Allow the office to manage the family's entities efficiently (holding companies, trusts, foundations, etc)

Finally, most family offices prefer to be located in a jurisdiction known for having a reputable financial centre. It considerably simplifies the activities of a family office when it is in the vicinity of stable private banks and financial specialists with solid reputations and lots of experience.

All the essential requirements highlighted above ultimately limit the number of best possible jurisdictions to only a few and that is exactly why you find so many SFOs and MFOs in Switzerland.



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#### **Switzerland: the traditional safe haven**

Switzerland is politically, economically and financially stable. It has been a neutral country since 1815 and has not been involved in any war since 1848. As Switzerland's political system is a so-called direct democracy, it is one of the few countries in the world where the population can have direct influence on all (proposed) federal and local legislation.

Switzerland's economy is extremely stable. Due to diversification and strong domestic demand, the Swiss economy has been growing steadily and has not been particularly weighed down by the worldwide economic and financial crisis. Thanks to its constitutional debt brake, the Swiss government has been able to produce a budget surplus every single year since the start of the financial crisis in 2008 and as a result Switzerland nowadays has one of the world's lowest government debt ratios and is one of the few countries left with a AAA rating.

#### **Swiss financial infrastructure**

As mentioned, close proximity to solid private banks is key, as one of the primary tasks of a family office is to manage your wealth. Swiss banks have been world leaders in the wealth management industry for a very long time

and some of the best-capitalised banks in the world are located in Switzerland. A Swiss private bank stands apart from local private banks thanks to its expertise and experience in investments and investment classes from around the world. A Swiss private bank is not only knowledgeable about the securities traded on your local stock exchange, it also advises you on the securities traded on all other international stock exchanges (contrary to, for example, US-based banks).

Switzerland also has a very attractive corporate income tax system. Rates are relatively low and Switzerland has signed agreements for the avoidance of double taxation with many countries. On top of that Switzerland is also a signatory to the Hague Trusts Convention thereby recognising the existence and validity of trusts. All this is backed up by Switzerland's reputable, trustworthy and solid legal system and its top flight specialists, including tax advisors, law firms, wealth planning specialists, notaries, and audit firms.

Moreover, the infrastructure in Switzerland is world-class. Geneva and Zurich have world-class airports with flight connections worldwide, many direct. Both city centres can be reached within twenty minutes from their respective airports.

#### **Family office staff**

Last but not least, highly experienced, motivated, reliable and educated staff with financial experience can be recruited or found in Switzerland. But even more importantly, when you intend to establish a SFO, such staff currently located elsewhere in the world can easily be persuaded to relocate to Switzerland, as it is considered one of the most desirable countries in the world to live.

All these elements make Switzerland one of the top locations to use a multi-family office or to establish your own single one. Because a family office is not only there to manage your wealth, but also to safeguard it if ever your home country turns out to be less stable than you had hoped.

#### **About the authors**

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#### **Further information**

[www.switzerland-family-office.com](http://www.switzerland-family-office.com)