



## INDUSTRIE- UND FINANZKONTOR

# News

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Fear, fuelled in a specific manner, helps to create power. This knowledge is currently being used with virtually breathtaking effectiveness. How is that happening? Through the already existing, high national debt, there was a policy of easy money, from which a «bubble» was developed. The American real estate dream, which was shattered in 2008, triggered a global collapse of the financial markets. At this point, major sta-

### The Fear-Factor as Power Engine

tes entered the stage together for the first time in order to expose alleged culprits and pave the way for a new economic order. Protectionism became a privilege of the great.

Now – more than a year later – the majority of Western states are at a point, at which they must admit to being far further in debt than they imagined. While some want to achieve growth using debt, others are striving for as rapid a removal of the state debt as possible. However, to do this, there is a lack of convincing concepts. Instead, a burden is being inflicted on the individual taxpayers. Action is being taken in the economic system by attempting to regulate it and the state's scope for design is being increased. Combined with a portion of insecurity, this is triggering the fear-factor. The insecure are tempted to act irrationally. This is lending short-term drive to the located power engine, but weakening confidence in the state.

If one considers the sprawling debt policy and the accompanying communication policy dispassionately, one concludes that what they conceal is helplessness. The current efforts of certain states to create uniform competition create leeway for their own policies and secure advantages. A risky gamble.

The task of the state is to provide the framework conditions for an economic order. The state cannot and must not govern itself. Instead, it must strive for the sustainable recovery of the state budget and strengthen the confidence of its citizens. However, sustainable state financial restructuring can only occur through economic growth and entrepreneurship. Entrepreneurs and citizens must (want to) have leeway within an economic order. Then, the path into a future with prospects is clear.

Michael von Liechtenstein

# The financial centre Liechtenstein

**«Asset Protection» – the term for protecting assets against unjustified third-party access to private assets. A Liechtenstein Foundation is suitable as a tool for asset protection. But, what is «Asset Protection» actually needed for?**

The desire for «Asset Protection» arises from a very simple reason and is historically documented: Assets are at risk! Risk ranges from extravagance by family members or family problems (such as divorce) to economic instabilities, political risks, confiscatory tax measures and attacks by alleged creditors. For this reason, measures in the field of asset protection are indispensable. Through the increasing political and economic uncertainty, the need for appropriate solutions will actually increase in the future.

At the same time, the fact that private assets comprise not just a private, but also an economic component, speaks in favour of asset protection: Private assets have a positive effect on the overall economic development of a state. This is because private assets tend to be invested with a long-term focus. As a result, these assets contribute considerably to the well-being of companies and institutions as well as to social development.

Over the past decades, the Liechtenstein financial centre has developed into a place for asset protection. The fundamental part of all financial transactions involves questions of asset protection – irrespective of whether this involves trustees, banks, asset managers, insurance companies or investment funds. The client wants to know his assets are safe. Thus, a location which wants to offer asset protection, must prove, firstly, many years of economic and political stability and, secondly, must have the appropriate legal foundations, knowledge and infrastructure with which asset protection systems can be implemented and administered.



Many European countries are not equipped for asset protection and longterm asset planning. Liechtenstein has the necessary legal framework and guarantees legal and planning certainty. Legal certainty forms the basis for asset protection.

There is a major misunderstanding about Liechtenstein and its structures (particularly the Liechtenstein Foundation). **The misunderstanding prevails that Liechtenstein structures only serve to avoid paying tax.** However, the opposite is the case. **For almost 100 years, Liechtenstein structures have provided long-term and cross-generational preservation of assets and protected the legitimate private sphere.** The repeatedly expressed opinion that fiscal aspects are the sole motivator for *offshore* structures is quite simply untrue.

**In the future, Liechtenstein will continue to offer an excellent environment for asset protection and will further develop its expertise in this field.**

We, at Industrie- und Finanzkontor, provide services in the fields of cross-generational asset protection and asset preservation. We offer extensive legal, organisational and business consulting services for both, businesses and private clients, and develop adequate structures. Simultaneously, we endeavour our clients growth and protection.

# The Liechtenstein Discretionary Foundation

The current financial situation of many Western states and the resulting urge for control are preached in populist terms as «the end of off-shore locations». The «honest tax-paying» citizen is depicted as the victim, who needs the protection of the state. In truth and reality, however, a feeling of supposed security should be conveyed in order to open the floodgates to state «voyeurism».

Liechtenstein has recognised the future development and has broken new ground in this context. The aim is to protect the financial centre and its clients. Discretion will continue to exist. At the same time, assets, which are located in Liechtenstein or held in Liechtenstein structures should be given the opportunity to gain «tax compliance», if this is not already the case. This means that such assets should – wherever possible without disclosure – not lead to any negative legal consequences in the place of residence of the investor or beneficiary. In Liechtenstein, there are various products which are suitable for asset protection. These include foundations and trusts as well as specialised fund and insurance solutions. Below, we will briefly explain the Liechtenstein *Discretionary Foundation* as a tool for asset protection. **In the same way as a trust, a foundation can be set up as an entirely discretionary structure!**

The *Discretionary Foundation* is – just like any other foundation – a legal person with its own legal entity, to which the founder bestows certain assets for a defined foundation purpose. The difference with other types of foundations lies in the organisation of the beneficial interest. Discretionary beneficiaries belong to a class of beneficiaries, who have no enforceable legal right to a benefit – in contrast to, for example, a fami-

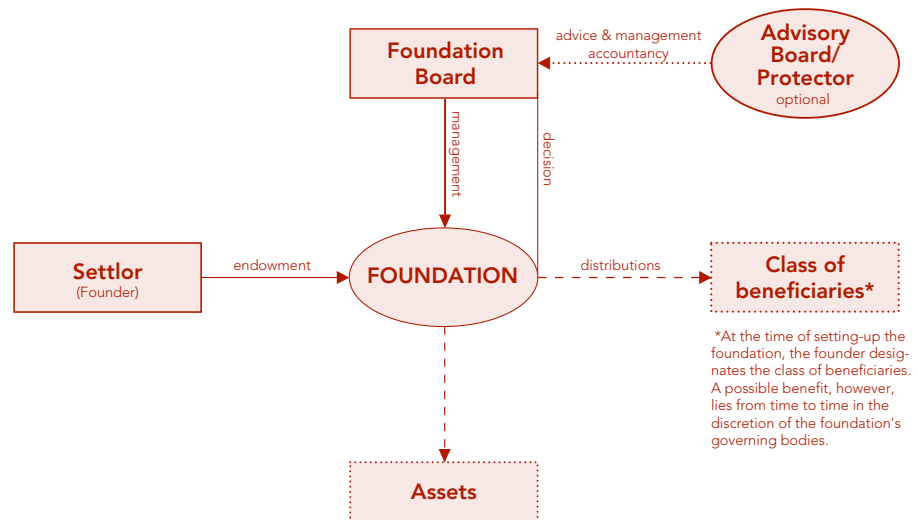


Chart: The Liechtenstein Discretionary Foundation.

ly foundation with fixed interest beneficiaries. This means that discretionary beneficiaries cannot make any claim for an allocation from the foundation assets or the foundation income, as they belong only to a class of beneficiaries and any possible allocation is at the entire discretion of the foundation council or another organ set up for this purpose. In doing this, the foundation council or the organ set up for this purpose must focus on the defined requests of the founder.

The nature of the *Discretionary Foundation* leads to the fact that the right to information and disclosure only exists for certain discretionary beneficiaries, which greatly increases the discretion of a foundation and, thus, the protection of assets. On the other hand, the fact that the foundation assets are set up for a class of beneficiaries means that fiscal relevance in many countries only occurs if the discretionary beneficiaries actually receive a distribution from the foundation. A – correctly set-up – *Discretionary Foundation* must, therefore

(like any other foundation), not be mistaken for a «bank account»! It is an independent legal subject and offers the necessary protection for the financial private sphere.

#### Summary:

For many clients, a *Discretionary Foundation* can be a wise tool in cross-generational asset planning and assets structuring.

# Over the course of time



Count Francis von Seilern-Aspang  
Chief Executive Officer

Dear reader

Times are changing and, with them, we are changing. What is true today may already be «outdated» tomorrow. The art of surviving over the course of time lies in the timely recognition of the signs of change and the courage to take the right steps for the future. The history of Industrie- und Finanzkontor shows our endeavour in this sense since its foundation in 1948.

The global economic crisis of 1929 caused political and economic turmoil and uncertainty. In addition, the confusion of the First and Second World Wars led to countless expropriations and persecutions. It was more than understandable that, for many people, the need for asset and personal protection increased dramatically. The knowledge that private assets would permanently be under threat led to the idea of offering people a secure location. To meet the requirements of the time, Industrie- und Finanzkontor was founded in 1948 with the aim of offering people protection from unjustified and destructive attacks from third

parties or even from within their own ranks. Industrie- und Finanzkontor gathered experience in an ever-changing environment. Times have demanded that we constantly develop new ideas and solutions in order to guarantee legitimate asset protection.

Even nowadays, global events confirm this vision: Assets continue to be under threat. For more than 60 years now, we have aimed at providing our clients with protection from unjustified attachment of their assets. Now, in 2010, we can look back on a past as a healthy, independent financial service provider with a long tradition and its own wealth of experience. Industrie- und Finanzkontor employs over 50 qualified employees, who provide service in the following fields of business:

- Foundation and Trust management
- Financial accounting and reporting
- Communication
- Compliance
- Internal services

Our efforts for an entrepreneurial approach and the highest consciousness of responsibility are reflected in our corporate culture. Without fail, the client should be at the centre of our daily work. We strive to develop solutions which are tailored to each client situation. Because every client has different requirements and requires individual support. In doing this, we focus on longterm asset protection and asset preservation, which incorporates the future generations.

We, at Industrie- und Finanzkontor, protect the private assets of our clients and support them in optimally structuring their assets. We always strive to take the right steps for the future.

In the following I&F-News, we will tackle issues with client references from our fields of business. Our aim is to contribute more objectivity and reduce the deliberately fuelled fear-factor.

Francis von Seilern-Aspang