Liechtenstein: a hub for wealth preservation

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Abstract

Over many generations, various institutions have created 'the picture of the filthy rich' and condemned wealth as something unethical. Important facts get overlooked thereby; namely, that private capital is put to work much more fruitfully and prudently than public capital. And that it is the driving force for the further development of any society. It is time to heighten the awareness that private wealth is a genuine value; that the activity of trustees represents a wealth-preserving necessity; and, that the Liechtenstein foundation in this respect is a time-tested legal instrument in the most professional manner.

The tale of the Big Bad Wolf

When times are difficult and economic policy issues weigh heavily on the shoulders of decision makers, the topic of *private wealth* finds its way into political talks. And in times like today, the broad public is led to commit to the belief that a sizeable personal fortune has to be regarded as something 'dubious' and that capitalism—the definition of which is always squeezed into a tight and utterly unflattering corset—is the reason for all of the inequality in this world. So, wealth is generally considered as being something unjust. At the same time, however, topics such as *wealth protection* and *wealth preservation* gain tremendous significance. All at once, it becomes patently obvious that private wealth is the driving force for the (further) development of any society and that it is under threat. As does the fact that the activity of trustees or the use of asset structures has absolutely nothing to do with cooking the books, but instead represents a wealth-preserving necessity. Thus, the intent of the following article is to demystify the tale of the Big Bad Wolf.

A crucial economic factor

At the beginning, the family was the very backbone of society and was recognized as such. For time immemorial, the (large) family household was considered being a place of social and financial security, as well as the source of care in case of sickness or old age. In the course of time, however—especially when the idea of creating a welfare state gained strength—the foundations of this time-tested institution began to crumble, with shared familial responsibility being slowly but surely delegated to an ostensibly benevolent state, which in turn found it prudent to assume an increasingly 'protective' role. Not surprisingly, today many people, living in welfare states, are willed to relinquish their self-determination and personal responsibility out of the conviction that the state, for its part, can and should foster and be answerable for one's personal well-being and that of his or her family. In consequence, many citizens readily condone the state's presumed right to hack even more deeply into one's personal financial affairs so that private wealth can be distributed 'better' and deployed in the interest of the collective populace. Sadly, at the same time two important facts get overlooked along this slippery slope; namely, that it is not the state or any of its institutions

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that drive the economy and hence the well-being of a society, but rather the family-owned enterprises and capital of private individuals. And secondly, this private capital is put to work much more fruitfully and prudently than public capital can ever be.

The past holds countless examples that testify how sustained overall social well-being was only achieved and furthered through the deployment of private capital: the examples of imaginative entrepreneurs who were prepared to put their wealth on the line, accept the risks, and ultimately create jobs, satisfy consumer needs, maintain existing infrastructure and build new facilities, and all the while pay taxes and imposts just like everyone else. Or take the example of wealthy people who at their own initiative were willing to finance corporate projects that ultimately accrued to the benefit of society as a whole. The crucial economic role of private wealth is hardly perceived or discussed by the broad public. Rather, this worthy possession is constantly attacked and socially spurned - yet highly coveted if truth be told.

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The convoluted notion of 'being rich'

A major reason for this ambivalent stance on wealth is likely to be found in the fact that, almost consistently throughout the world, a convoluted notion of 'being rich' has been cemented in the minds of people. One, that makes wealth appear to be enviable because it allegedly enables one to do anything and everything possible, and this with no strings attached. Or it makes a person egoistic and narcissistic. Or even to believe that wealth has to come from some spurious source. Again and again, the contention is raised that the 'unequal distribution' of wealth bears the main share of blame for social inequality, whereby those contenders rely on purported facts which, upon closer examination, reveal a very one-sided perspective and do not hold up under cross-examination. But admittedly, practically nothing has a more polarizing effect than wealth. In that knowledge, all sorts of professionals leverage the issue; for example, the media, retail, and advertising industries, not to mention – or perhaps we already did—the politicians. Over many generations, various institutions and organizations have created 'the picture of the filthy rich', in other words, the greedy and stingy individuals who exploit people and resources. This has naturally led to the conclusion that being rich is somewhat unethical. Today, this impression of filthy lucre is deeply engrained in our society and is mentally construed to be the 'prototype of capitalism'. One could fill an entire library with the original thinking on money, wealth, and capitalism, as well as filter out what that does not belong there. But in the limited space of this article, just one main thought begs for mention: in principle, the interpretation of wealth and richness reflects nothing other than the character of the people who possess it and those who do not.

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The concept of wealth preservation

Wealth has always been and always will be under threat. So if one recognizes now the important role private wealth plays for one's own family and society as a whole (through entrepreneurship, philanthropy, etc), a logical conclusion is drawn, namely that the long-term and hopefully transgenerational shepherding of private wealth is both a worthwhile and honourable quest. And that is where the concept of wealth preservation comes in. At the heart of the matter lies the person and his or her individual financial situation. The key question: how are those tangible and intangible assets to be structured, disposed over, increased, administered, and bequeathed? And this in a way that, for one, safeguards the fortune against risks and threats, and secondly enables a specified purpose to be fulfilled over the decades and in many cases several generations. The interesting thing here is that each subsector of the financial industry can turn out to be an elementary piece of the puzzle in wealth preservation, yet the trustees in particular represent the key interface for all of the parties involved. And for wealth preservation to ultimately take root over the long run, suitable legal instruments and the proper conditions need to be in place.

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Liechtenstein, a hub for wealth preservation

Liechtenstein is that tiny principality located in the heart of Europe, a country which has been in existence for more than 300 years now and can look back on an interesting past. Until almost halfway through the 20th century, Liechtenstein was an agrarian state and by no means a rich one. For years and years its citizens suffered under joblessness, hunger, and poverty due to the European malaise during both World Wars. Only as of 1945 did its economic upswing begin to take shape, with four key factors paving the way: the Principality's political and legal stability; the adoption of the Swiss franc as Liechtenstein's national currency already in 1924; a staunchly liberal stance that fostered entrepreneurialism and the rapid development of the Principality as a location for industry; as well as the entry into force of the Persons and Companies Act (ie the Civil Code, or PGR) in 1926, which set the cornerstone for the Liechtenstein private foundation as a legal entity—the only continental European equivalent of an Anglo-Saxon trust.

Today, Liechtenstein is one of the most advanced and stable nations in the world and can rightfully call itself a properly functioning state where the rule of law prevails. The Liechtenstein financial centre has a longstanding tradition of wealth preservation, private banking, and asset management. Over the decades, local fiduciaries have gained tremendous experience in dealing with asset structuring and administration, with the ultimate aim of preserving their clients' wealth. Liechtenstein courts and administrative authorities are highly competent in addressing matters of relevance to private wealth structures. In addition, the service-orientation of people in these latitudes is extremely pronounced. Liechtenstein is a member of major international organizations. Since 1978, it holds a seat on the European Council. In 1990 Liechtenstein joined the United Nations, in 1991 the European Free Trade Association (EFTA), and in 1995 the European Economic Area (EEA) and the World Trade Organization (WTO). Liechtenstein is also a member of Moneyval, the European Council's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism. The bottom line: Liechtenstein combines all the elements necessary for proficient, professional, and perpetual wealth preservation.

The foundation as a key instrument

Owing to the broad spectrum of possibilities for its design, the Liechtenstein foundation has become one of the legal instruments of choice for wealth preservation. It enables long-term plans and objectives to be realized. In the past, the Liechtenstein foundation as a civil law entity has successfully passed many 'stress tests', with the result that a number of other countries are now attempting to imitate it (eg Panama, Jersey, and Austria). But still today, even in the age of increasing transparency, the Liechtenstein foundation is in a class of its own. And a very popular one.

The Liechtenstein foundation has become one of the legal instruments of choice for wealth preservation

Hopefully this essay will contribute to heighten the awareness that private wealth is a genuine value that evidences principles such as courage, responsibility, and social compassion—rather than being just an enviable circumstance. I also hope that these observations make it clear why the Liechtenstein financial centre in particular is a desirable place and partner for ensuring that one's wealth is secure and sustainable over the long term and can be structured, appraised, increased, and administered in the most professional manner. The Liechtenstein foundation is a tried and true means to that end, ie wealth preservation.

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