



NEWS

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A MISLEADING MINDSET

The Western world can look back on a Golden Age that witnessed an unusually strong surge in prosperity. The decisive factors behind this trend, which got its start in the wake of the Second World War, were twofold. On one hand, there arose a keen awareness of the need to prevent armed conflicts from ever again jeopardising global stability; and secondly, world trade was liberalised and the concept of a free market economy centred on private ownership rights gained sway. Together, these crucial factors laid the foundation for the prosperity of society as a whole, something which we now consider to be almost the norm. Along the way, though, a sense of personal entitlement slowly but surely emerged – a consternating development for anyone who embraces the notion of the honourable, self-reliant citizen.

As a consequence of questionable redistribution policies, people have gradually been relieved of their personal responsibility in recent decades, for example through the transfer of basic care functions – which had long been the bailiwick of the individual and the family – to an increasingly bloated welfare state. Over time, a grotesque social attitude evolved: a sense that one has a rightful claim to the highest possible quality of life, yet by personally contributing as little as possible towards achieving it. This increasingly pervasive entitlement mentality can be intuited from the current discussions surrounding an unconditional basic income.

Such an «It's my right» mindset is very much inclined to embrace populist politics as well as any means of criticising wealth. The voices of egalitarianism are becoming louder and increasingly take on socialistic traits. The proponents complain that certain individuals have become inordinately wealthy in recent decades, yet they conveniently fail to

mention that it was mainly those people who were pioneers in their field, demonstrated the courage it takes to shoulder entrepreneurial risks and above all, worked their fingers to the bone in getting to where they are today – individuals from whom everyone has ultimately profited.

Wealth and the wealthy are not the cause of today's social and economic difficulties.

It is time to set this misleading mindset straight: Wealth and the wealthy are not the cause of today's social and economic difficulties, hence redistribution and egalitarianism are also not the solution to these problems. Social systems that promise prosperity without any personal responsibility or effort are illusory. It is private ownership rights that contribute significantly and in myriad ways to the positive, stable development of a society. This is why it is so important to plan and structure private wealth with foresight in order to ensure its preservation for generations to come.



*Therese von und zu Liechtenstein
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LIECHTENSTEIN: COMPETENCE CENTRE FOR WEALTH

At the edge of the Viennese Forest in Lower Austria looms a castle known as *Liechtenstein*. The material used in its construction came from a 12th century Roman quarry. Lore has it that the «bright stones» (German: lichten Steine) typical of the quarry at the time gave the castle its name. Upon its completion around 1130, lord of the manor Hugo von Petronell renamed himself Hugo von Liechtenstein. He is considered the eponym of the Princely House of Liechtenstein, which later lent its name to Liechtenstein – a small country that has gained much greater renown than its size would suggest.

This article chronicles the key factors that have enabled the Principality of Liechtenstein to become a successful business location. Discover for yourself the fundamental stance and values that were so decisive in Liechtenstein's evolution and shaped its understanding of wealth preservation:

The path to sovereignty

Liechtenstein came into being from the merger of the Lordship of Schellenberg and the County of Vaduz, both of which Prince Johann Adam Andreas I von und zu Liechtenstein had purchased years before, and the elevation of this combined territory to the dignity of an Imperial Principality by Holy Roman Emperor Charles VI on 23 January 1719. It was the first time in history that an imperial territory bore the name of the ruling family rather than vice versa.

This elevation to the status of Imperial Principality was an important milestone for Liechtenstein's further development. Almost a hundred years later, in 1806, Prince Johann Josef I von und zu Liechtenstein succeeded in arranging for the Principality to be integrated into the newly founded Rhine Confederation, thereby making Liechtenstein a completely sovereign state.

Interaction of populace and Prince

Several decades later, in 1852, a customs treaty was concluded with Austria. This was the first major boost to Liechtenstein's economic development. 1861 witnessed the founding of the first domestic bank. A year later, the Constitution of 1818 was revised and the Liechtenstein citizenry were granted political representation in the form of a State Diet (Landtag) – a pivotal measure for the successful future interplay between Prince and populace.

The foundations for economic success

In the wake of the First World War, Liechtenstein suffered severely from the economic sanctions imposed against

Austria. Widespread unemployment, famine and abject poverty shattered almost all hopes for a promising future. The end of the Austro-Hungarian Empire and the collapse of its currency, the Austrian krone, led to Liechtenstein's decision in 1919 to abrogate the customs treaty with Austria. Liechtenstein then turned to Switzerland for economic relations – the birth of an important alliance.

In the 1920s, further cornerstones were laid for the economic success of Liechtenstein and the subsequent development of the Principality as a financial centre:

- 1921: a new constitution with direct-democratic elements comes into force, conferring the exercise of state authority to both the Prince and the citizenry;
- 1923: a tax law is enacted;
- 1924: the Swiss franc is adopted as the national currency;
- 1926: the Persons and Companies Act (PCA) takes effect and reflects a clearly liberal ideology.

Strict neutrality

In 1938, the then reigning Prince Franz Josef II von und zu Liechtenstein with wise foresight shifted his permanent residence to Liechtenstein. He moved into the castle that towers to this very day above Vaduz, thereby strengthening his ties with the people. He also strictly ensured that Liechtenstein remained neutral during the Second World War: at the time, he collaborated with members of the Landtag in crafting a restrictive clause for political parties in such a way that no National Socialist party could gain entry to parliament. Thus, he succeeded in leading the Principality through the Second World War unscathed.

Family and wealth

The end of the Second World War and the rapid economic upturn that began in the 1950s led to new wealth and prosperity being built up in Western Europe in a relatively short period of time. However, the wariness that had become etched in people's conscience during the war years continued to exist: personal wealth could be usurped at any time. The future was uncertain and the political dangers real. People wanted to safeguard their families and assets against further expropriation, and the aspect of *protection through discretion* gained increasing importance. Liechtenstein gained renown as a politically neutral and secure location.

Comprehensive know-how

Liechtenstein's activities in the financial realm have always centred on issues relating to the protection and preservation

of wealth. After the Second World War, Liechtenstein began to build up comprehensive, modern expertise in transnational wealth solutions. The Principality's financial centre flourished thanks to its vast experience in wealth structuring, wealth management and the prudent investment of wealth.

The «Liechtenstein Declaration»

In the early post-war years, domestic legislation was the top priority. But as the geopolitical situation stabilised and globalisation began to gain momentum, the general political attitude also changed, namely away from national laws and instead towards alignment with international standards. At the beginning of the new millennium, there was an attempt from many corners to politically shame the long-accepted differences in national laws.

As a result of the global financial crisis that began in 2008, the heads of state and government of the G20 countries agreed to harmonise their tax and financial systems, strengthen the political supervisory controls, and preclude regional competition. Liechtenstein issued the «Liechtenstein Declaration» in March 2009, thereby expressing its willingness to render assistance and ensure conformity vis-à-vis other nations. This assurance was reaffirmed in 2013. Since then, the Liechtenstein financial centre has been consistently aligned with the new regulatory regime.

Tradition and values

Over all these decades, Liechtenstein has clearly demonstrated that longterm thinking and acting with foresight are key success factors. The unique combination of hereditary monarchy, direct democracy, and a high degree of communal autonomy have proved to be an essential stabilising factor for Liechtenstein's economy, politics and social environment.

Liechtenstein is a well-connected partner with reliable values. This may have something to do with the fact that the Principality has always had to fight for its successes and has never received any handouts along the way. As a logical consequence, values such as self-determination, entrepreneurship, innovation and mutual respect are held high. They go hand in hand.

The House of Liechtenstein is one of Europe's oldest lines of nobility and today one of its very few ruling families. A glance at the almost nine centuries of family history shows that wealth can be preserved and applied purposefully across generations through responsible wealth structuring and forward-looking inheritance planning – even in a

constantly changing environment. This understanding continues to be evidenced in the present-day activities of the Princely Family members.

Competence centre for wealth

Certainty is the paramount premise of the Liechtenstein financial centre; the certainty that once wealth has been accumulated, it will be preserved over the long term and deployed in a purposeful manner, be that via investment or grant. In keeping with this tenet, the financial centre offers an attractive mix of services that are in line with European and international standards. For example:

- long-term, purpose-oriented wealth planning solutions, offered by the trust business industry, that includes asset structuring via foundations, trusts or other forms of legal entity with which the continued existence of a family fortune can be secured for generations to come;
- private banking solutions and asset management services for wealthy individuals and institutional clients;
- post-retirement benefit solutions and risk protection for insurance customers; as well as
- investment funds for independent asset managers and family offices.

For the benefit of future generations

The major players in Liechtenstein's financial centre are also taking a proactive approach to the digital future with their pioneering efforts in the field of blockchain technology and cryptocurrencies.

The Liechtenstein government has already solicited comment on a draft law pertaining to blockchain with the intent of creating legal certainty for users of this revolutionary technology as well as promoting the nascent «token economy». Here, too, the farsightedness with which Liechtenstein is shaping its future can be easily seen – for the benefit of generations to come.

From 1719 to 2019

Stable, competent and with a shared state of mind that focuses not on years, but on generations – this is Liechtenstein. A successful small state that can proudly celebrate its three hundred years of existence: in 2019, the Principality will be hallmarked by these festivities. You can find out more at www.300.li.

And who knows? Maybe you can find the time to visit Liechtenstein yourself and experience its uniqueness with your own eyes and heart.

THINKING IN GENERATIONS

It is remarkable how society changes with each generation. In the early 1950s, Western civilisation stood on the cusp of a prosperous new era and a pioneering, optimistic spirit prevailed. The quest for freedom and security was noticeable at all levels, as was the awareness that each one has to contribute one's own towards progress; that only together the greater good can be achieved. And today?

Today we live in an era of egocentric self-aggrandisement, as measured by one's popularity on social networks and driven by the positive reinforcement of likes and thumbs-up. A century in which social status is feigned by means of overpriced luxury goods that one can call one's very own and regularly display on Instagram. Yet there is also a pervasive conviction that everyone should be as equal as possible, that an unconditional basic income is the ultimate concept of fairness, and that conformity should be striven for in as many aspects of life as possible. A paradoxical situation indeed. Admittedly, this circumlocution may seem a bit overstated. The fact is, though, that people these days have distanced themselves vastly from age old, fundamental social values – not only in Europe, but in many parts of the world. A disconcerting point of departure for the future, especially in view of the political imponderables that are already shaping this young century.

It has apparently been «disremembered» that family fellowship, one's hard-earned wealth and a certain measure of privacy represent the very essence of a self-sufficient, independent life: three basic values that today, more than ever before, need to have a solid foundation put in place.

Over the past decades, Industrie- und Finanzkontor has had both the honour and challenge of dealing with a wide array of ever changing wealth and family constellations. In doing so, we have repeatedly come to the conclusion that the fundament for accumulating and preserving long-term wealth is laid by cementing a common understanding of wealth within the family and crystallising the family's

shared values. This also sharpens the younger generation's awareness that wealth is a true privilege and not just the privilege to consume; a privilege which calls for responsibility. And with that, a sense of responsibility for ensuring that each generation continues to build on the wealth and values their progenitors accumulated.

We have also seen time and again that conscious, collective introspection with regard to wealth and shared values can significantly strengthen a family as a whole and better arm the younger generation against today's myriad external influences.

We at Industrie- und Finanzkontor focus entirely on the long-term preservation and transgenerational safeguarding of wealth and values – especially for families and entrepreneurs. We consider it our duty to think and act in terms of generations. It is indeed a privilege for us to serve our clients and, in their best interests, to protect and to preserve their wealth and personal values.

Our origins and long experience shall enable us to master even the most complex wealth challenges, to structure wealth in a purposeful way through the use of appropriate legal entities, and as needed to adapt wealth structures to the world's ever-changing circumstances.

Man's life is fleeting. But the wealth one has built during one's living years can overcome time, be passed on from generation to generation, and effect great things – in one's own family, in one's personal environment and in wider circles. The decisive factor here is to think – and act – in terms of generations.



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The I&F News appear on an irregular basis, but always then when a commentary on matters of relevance and interest is called for. Previous I&F News can be accessed on www.iuf.li > *Publication* (choose relevant year).

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