



## INDUSTRIE- UND FINANZKONTOR WEALTH PRESERVATION EXPERTS

# News

No. 1 / May 2013

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The rise and fall and preservation  
of wealth

Tempora mutantur



What good are models for wealth protection if no taxes can be avoided through their use? This question comes up time and time again. The myth persists that wealthy individuals have only one thing in mind: a way to either shirk their tax obligations or conduct shady transactions. Black sheep abound – they always have and always will, in every walk of life. But the matter is not rectified by tarring every wealthy person with the same brush. The desire to protect one's fortune is rooted in humankind – because wherever wealth is present, risks and jeopardies never will be far away.

### Risks and jeopardies are a bane to wealth

A look back at the history of Liechtenstein shows how this microstate managed to position itself as a sanctum of protection and security. Key elements of this success were the Principality's strict maintenance of neutrality, as well as its ties with Switzerland, stable political system, farsightedness and geographic location. In the disruption following the First and Second World Wars, those factors paved the way for Liechtenstein's transformation into what today is a significant industrial and financial pillar of Europe. Within a relatively short period of time, the rapidly evolving economic recovery in Western Europe during the 1950s led to a considerable increase in wealth and prosperity. This spurred demand for manufactured goods and financial services. But the scars from material losses incurred during the long years of conflict remained, and people were fully aware that their re-established and newly accumulated assets could come to naught at any time. The future was uncertain, the fear of loss of one's homeland, life and possessions real: in Northern Europe, dread of a Soviet invasion prevailed; the threat of a power grab by communist parties loomed in Italy and France. People wanted to have at least a portion of their wealth protected

against renewed confiscation. And Liechtenstein was a place that offered safety. Today, although the political and economic circumstances have perhaps changed, there still exists the primordial desire to safeguard one's worldly possessions. A current example is offered by the emerging nations, which are experiencing a torrid pace of growth, rapidly increasing prosperity, yet many difficulties in terms of domestic and foreign policy. To remain aloof of the problems in one's own country and secure for the long term a certain amount of this newly acquired wealth, people there are seeking a location that ensures stability and protection – and Liechtenstein is quite obviously a candidate in this regard. The Principality of Liechtenstein is neither the «rogue state» as purported by the media, nor is it at fault for the financial malaise of other nations. Since time immemorial, Liechtenstein has had to orient itself to the outside world and deal consciously with its competitiveness. By doing so it has come to recognise that, in an ever-changing world, protection and security are the mainstays of success.

Michael von Liechtenstein  
Chairman

# The rise and fall and preservation of wealth



Francis von Seilern-Aspang  
Chief Executive Officer

**On the vibraphone of human emotions, hardly any other tone rings as sweet or as sour: wealth. Those with none, cringe...albeit in envy. Those with some, seek more. And those who have a lot are either seized with the illusion that it is endless, or they strive as best as they can not to lose it again.**

For ages, humankind has had a peculiar fascination with wealth. Almost everyone wants to have it. But the understanding that wealth rarely comes from nothing is a piece of wisdom that is not shared to the same extent by everyone. Thus it should come as no surprise that, in almost every phase of social development, wealth was being accumulated even as wealth was being destroyed. Sooner or later, everything with a particularly strong allure for people will be subject to the threat of destruction through greed, envy and (mostly unjustified) suspicion.

## **How wealth was accumulated:**

Each new epoch in history was heralded in by a revolutionary innovation that triggered a significant change in society and opened up previously unimaginable opportunities for people to further enhance their financial and personal standing in life. Some examples from the more recent annals of time:

- the steam engine, which enabled work and

- the production of goods to be industrialised;
- the railroad, which revolutionised the means and routes of transport and gave rise to new commercial sectors;
- the use of electricity, which fostered research and the emergence of ever-higher technologies as well as the further development of infrastructure;
- the automotive industry, which brought about a fundamental change in the individual mobility of people;
- in parallel, crude oil production increased, ultimately making petroleum the Number 1 source of energy;
- information technology, which rang in an era of rapidly changing ways people obtain information and communicate.

Each of these epochs was associated with great names: James Watt, Matthew Boulton, Cornelius Vanderbilt, Andrew Carnegie, J.P. Morgan, Henry Ford, Adam Opel, Bill Gates – to name just a few. All of them shared a common gene: they were pioneers and understood how to recognise and capitalise on opportunities, as well as to identify latent needs and derive entrepreneurial ways of satisfying them. In doing so, they accumulated a significant amount of private wealth. And with each of these advances, they changed the markets and the economy, which in turn forced other entrepreneurs to adapt to the new circumstances – or otherwise risk losing their competitiveness.

## **How wealth was destroyed:**

As previously mentioned, wherever there was wealth, risks and jeopardies were never far away. In most instances, the threats to private fortunes were posed by wars that led to direct or indirect expropriation (e.g. the former via eminent domain, the latter via currency devaluation). But there were also stock market and financial crises that were repeatedly followed by critical economic situations. And not least of all, state interventions had a severe impact on wealth; for instance through absurdly high tax rates (in Great Britain at one time, inheritance taxes of up to 98% pre-

vailed) or forced imposts and special tributes (so-called «wealth taxes») on larger fortunes.

Equally spoken, the risks frequently came from within the family circle. The first generation built the fortune through tremendous effort and mettle. Many times, the second generation was eager to follow in those footsteps and in so doing enlarged the fortune. But then, along came the third generation and the accumulated wealth started to crumble. The reasons were as varied as people themselves: an exorbitant claim to what life offers; a lack of cognisance that wealth is not an endless source of fun and games unless there is sweat involved; and then of course there were the false «friends»; personal weaknesses; one's own ineptness; disinterest in things entrepreneurial; the lack of a family culture – and the list goes on.

Sad examples from the past show that nothing much is left today from family dynasties which at the time ranked amongst the wealthiest and most influential families in the world. A wise man once noted that any idiot can amass a fortune, but it means little if one does not have the common sense how to protect it.

This brief snapshot of relatively recent history underscores how the major socioeconomic developments have always originated in the private sector, and that large fortunes are not by definition a guarantee for the wellbeing of future generations. Not to mention that the farsightedness of an entrepreneurial progenitor does not automatically mean that other family members down the line share the same characteristics and mindset.

## **A sustainable fortune requires a solid foundation:**

Those families and entrepreneurs who have actually managed to preserve and multiply the wealth accumulated by their forbears have something in common: they were able to understand the necessity to adapt to everchanging conditions, even as they had the farsightedness to protect their fortune against risks and jeopardies. In accomplish-



Chart: compass to long-term wealth preservation.

ing that, they had the following instruments at their disposal:

- in the Anglo-Saxon realm, the trust;
- in the European region, family and testamentary contracts as well as family foundations that represent a trust-like, civil law means of protection with a stand-alone legal status.

From this, one can easily see that long-lasting fortunes are always built on a solid fundament. Wealth alone cannot constitute that bedrock. It needs more: clear visions and rules, defined values and written covenants, as well as the proper legal instruments. The goal is always the same, namely to protect one's assets against loss and ensure their longterm preservation.

#### **A solid fundament cemented through expertise:**

In their nature and significance, fortunes are just as individual as the people who stand behind them. Thus a fortune is never «just wealth». And that is why long-term wealth preservation requires a different kind of expertise than that applied in wealth management.

Here, the central question is how the tangible and intangible assets – the latter of course in the form of traditions, values and competencies – can withstand the test of time for generations to come. The goal of wealth preservation is to develop a visionary, qualitatively sound culture of wealth. Or in the words of the renowned ethical wealth researcher Prof. Thomas Druyen: «A culture of

wealth relates to the conscious shepherding and refinement of tangible and intangible assets for purposes of shaping the future both in personal and social terms.»

It follows that wealth preservation is the enabler of long-term, transgenerational wealth management.

#### **Wealth Preservation Experts:**

For decades, we at Industrie- und Finanzkontor have devoted our efforts to preserving wealth and family values over the long term. We very consciously deliberate how the tangible and intangible assets of companies, families and wealthy individuals in general can be secured. Because nothing is more valuable than the ability to pass on the hard-earned fruits of one's past labour.

In this sense, we perceive ourselves as an accompanying detail of guards who point out risks and jeopardies, conceive the appropriate solutions and, with an eye on the big picture, provide advice, encouragement and attention to the administrative matters. In accomplishing that, we act as a kind of general contractor for the client and solely in his or her best interest.

When it comes to wealth, a world that is constantly changing is no longer a safe haven and never will be. We are not in a position to make the world more secure, but perhaps more calculable – this by carefully scrutinising a given wealth situation and, based on the determinations, deriving the most suitable wealth concepts.

Francis von Seilern-Aspang

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Erich Strub  
Managing Director

**He was 28 at the time he applied for a job as a bookkeeper with Industrie- und Finanzkontor. 34 years later, as Chief Financial Officer of the company, he leaves for his well-earned retirement years. Erich Strub, today a member of the Board of Directors of Industrie- und Finanzkontor, offers in a brief discussion some insight on his 34-year career:**

**Mr Strub, your professional path could have taken a completely different direction, am I right?**

Correct. I completed my apprenticeship with the Swiss Federal Railway (SBB). While those years were very instructive, I recognised early on that my heart beat to a different drum: commerce and numbers! Correspondence courses enabled me to acquire the necessary know-how, but in the late '70s it was difficult to get an office job or bookkeeping position.

**...until you happened upon Industrie- und Finanzkontor?**

Exactly. At the time, Industrie- und Finanzkontor was a small company with ten employees and had advertised a vacancy in bookkeeping. I grasped the opportunity, applied,

introduced myself and, voilà, I got the job. I have to grin when I think back on how we worked back then. A typewriter, a pen and a pack of carbon paper – utensils that frequently led to undesired challenges in everyday work life.

**How would you describe the fiduciary business in those days?**

At the time, many things were easier. For instance, the mention of «due diligence» simply elicited a shrug from people because there was no such expression. One could work more productively in the sense of expeditiousness, because there was no need to constantly check everything for its compliance with this or that ordinance and an array of supranational standards. And until the mid-'80s, the available forms of legal entity were also more comprehensible, seeing as how we worked almost exclusively with just three structures: the Liechtenstein trust, foundation and joint-stock company. Only with the advent of globalisation did the legal forms from other jurisdictions start to gain attention.

**How has the Liechtenstein financial centre evolved over those years?**

As so many things in life, globalisation has its good and its bad sides. One bad side has been that criminality also became globalised and the malefactors have attempted to exploit the worldwide financial centres for their own gain. Liechtenstein took countermeasures, for example by introducing in the '90s the initial Due Diligence Act, which mirrored that of Switzerland, as well as by adopting the first Anti Money Laundering Directive of the European Union. In the meantime, both have been refined further. But the fundamental basis for this was cemented already in 1977 by the client identification agreement between the Liechtenstein government and what at the time were the Principality's three banks. Today, the strength of implementation of

Liechtenstein's supervisory system is accorded high marks at the international level.

**Have the demands on wealth protection changed?**

By all means! The field in which Industrie- und Finanzkontor is active has changed dramatically. In the very early years, it was a seller's market where one could afford to be reactive in the capacity of a so-called «provider». That is no longer a possibility these days. The legal, political and economic circumstances have changed so much that there is no alternative than to provide the client with proactive, comprehensive advice. An expert needs to take into account a broad spectrum of influencing factors and be in a position to map out the entire «big picture» – that of course with the constant aim of ensuring the protection and preservation of the entrusted assets.

**What is vital in the preservation of wealth?**

Fundamentally, I feel that an expert in long-term wealth preservation must be able to cope with myriad demands and requirements. The world has become globalised, as have companies and families. That calls for expertise in a wide range of disciplines. But it is also of great importance that, apart from professional skills, the expert needs to possess methodological and interpersonal skills – call it a «toolbox for wealth preservation». The comprehensive, transgenerational preservation of wealth relies heavily on a strong, trust-based relationship between the client and the advisor. And in this regard, professional expertise alone does not cut the mustard. In colloquial terms, the relationship has to click. The client must be able to trust that the solutions are precisely tailored to his or her personal situation in life and can be adapted to accommodate the future life cycle of the family. Because in a constantly changing world, it takes a certain degree of flexibility for wealth to remain intact over the long run.