

The view from Liechtenstein

PRINCE MICHAEL VON LIECHTENSTEIN EXAMINES THE FUTURE
OF LIECHTENSTEIN'S TRUST BUSINESS



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Today's world is a tinderbox. Battles are being fought in the name of religious convictions, self-declared claims to leadership, or simply the desire for a better life. Less conspicuous struggles concern political influence and maintaining power. Certain emerging nations are experiencing above-average growth and a rapid rise in prosperity; these boons are paired, however, with myriad domestic and foreign policy predicaments, not to mention out-of-whack state finances – the product of decades of tax-and-spend political pipe dreams. Many countries also suffer from hamstringing business systems.

These days, western democracies in particular are pushing for even more state regulation and ever-greater containment of free-market forces, constitutional principles (via retroactive laws), self-determination and the property rights of citizens. On the other hand, a number of autocracies, Singapore for one, are committed to liberalism and the rule of law. Instead of pursuing the reforms necessary to ensure a healthy and sustainable economic upswing, governments are focused on expanding already bloated bureaucracies, while continuously tightening the tax, interest and monetary thumbscrews, in order to fill the state coffers.

THE NEED FOR WEALTH PROTECTION

The world is back in a phase that increases the need for wealth protection, as well as corresponding advisory services and appropriate instruments. Many individuals have a justified fear that, aside from normal intra-familial risks, the political and economic situation in their homeland will have a negative impact on their wealth. They seek ways for at least a portion of their assets to remain free of the problems in their country and simultaneously be deployed in a purposeful manner.

For the trust business as a whole, times like these present opportunities as well as challenges. For Liechtenstein's trust business in particular, the current situation means drawing even greater

attention to the principality's many strengths:

- **Liechtenstein is one of very few countries with an uninterrupted, multi-decade track record of political, economic and social stability.**
- **Its membership of the European Economic Area enables Liechtenstein to participate without limitation in the EU domestic marketplace.**

- **Liechtenstein's financial centre has a long tradition of wealth protection, private banking and asset management. The local courts and public authorities are highly competent in the evaluation of private wealth structures.**
- **Right from inception, Liechtenstein foundations and trusts were designed to preserve wealth for generations to come. The perception that they were created for the sole purpose of avoiding taxes is fundamentally incorrect.**

The trust business today faces three main challenges. First, there is rapid, global fiscal and regulatory change, given which trustees must be adaptable, so they can fulfil the advisory needs of their mandators and maintain the necessary level of know-how.

Second, a trustee is an internationally active counsellor, architect and implementer, dealing with a broad array of cultures and religions. This requires a deep understanding of clients both in terms of their wealth, income and life circumstances, and their needs and desires. Moreover, it means the trustee's staff must possess not only 'hard skills' (e.g. competency in international law and legal instruments) but also very pronounced 'soft skills' (e.g. compassion and the ability to listen carefully to clients).

The third challenge is the increasing time and expense involved in complying with waves of new rules and regulations. This calls for more efficient processes and procedures, and for certain staff members to become even more highly qualified.

At the level of international negotiations, the major challenge for the parties involved is to draw up treaties and regulatory proposals that acknowledge the legitimate need for wealth-protection measures as a means of long-term wealth preservation. They must also officially recognise, on an international scale, the various forms of asset structure.

Liechtenstein's financial centre has always honoured the tradition of trans-generational wealth protection and long-term asset management. The goal of wealth preservation is to achieve certainty for certain assets in an uncertain world, by means of the far-sighted structuring and circumspect marshalling of those assets. Therein also lies the future of Liechtenstein's financial centre and its trust business. The local actors have recognised the challenges and are rising to them. With a jointly conceived and adopted strategy for the financial centre, they have laid the cornerstone for its successful future.

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