

Leo Wealth President Articulates the Proposition and Opportunity Advising US Clients and Building Greater US Connectivity

Jessica Cutrera is the President of Leo Wealth, a global wealth management firm created in its current guise in 2021 to bring together the Hong Kong-based The Capital Company and Leo Group, and BFT Financial Group from the US, thereby linking Asia and North America in terms of client connectivity, expertise and flows. Her role dates back to being a Founding Partner, Responsible Officer and Compliance Officer of The Capital Company, an independent asset management firm formed in early 2017. Prior to her time at The Capital Company, Jessica co-founded EXS Capital Asia Limited in 2008 and served as a Responsible Officer and head of Operations and Compliance for the firm until the end of 2016. She and her team built a substantial asset management and financial planning practice during their time at EXS, which in then formed a core of The Capital Company in 2017. Jessica's expertise spans many areas of individual financial, regulatory and tax issues, particularly in relation to US citizens living in Asia and increasingly Asian clients investing in the US. She and her team specialise in providing comprehensive wealth management and estate and tax planning services to US citizens expatriated to Asia and to individuals and families with US-related planning needs. She spoke to Hubbis again recently to explain the value of the US connectivity for the firm and for their clients. We have selected and distilled her views in the form of this short Q&A, with her insights delivered with her customary eloquence and acute historical perspective on the development of the independent wealth proposition in Asia.

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JESSICA CUTRERA
Leo Wealth

You have a strong connectivity with the US both historically and since your tri-partite merger back in 2021. What advantages does this bring the firm, and what do you offer the clients?

Americans living in Asia represent a significantly underserved segment of the market, often facing barriers to accessing a comprehensive range of financial services. Despite having basic banking and some product access, they are frequently excluded from crucial services such as financial planning, insurance, estate planning, and various investment solutions. Recognizing this gap, our team, which includes Americans with profound expertise in U.S. tax and legal issues, is dedicated to catering to their specific needs.

Contrary to popular belief, servicing Americans isn't as complex as often portrayed. The primary hurdle isn't the intricacy of their financial needs but rather policy and risk management concerns within financial institutions. Americans require solutions that comply with U.S. tax regulations. Fortunately, given the size and depth of the U.S. capital markets, there's no lack of suitable fiduciary options for them. The critical factor is ensuring our team is well-informed and equipped to offer relevant tax advice.

Reflecting on past incidents, such as IFA scandals involving tax-deferred insurance products and offshore trust schemes, or issues faced by Swiss private banks, it's clear that many of these problems stemmed from how employees were incentivised, leading to non-compliant solutions for American clients. To effectively serve U.S. citizens, it's imperative to foster a knowledgeable, compliant workforce capable of delivering appropriate solutions.

Ultimately, the financial aspirations of Americans—encompassing retirement planning, estate planning, tax efficiency, and investment growth—are not markedly different from those of other nationalities. The key distinction lies in incorporating a tax overlay to ensure compliance and suitability. With the right expertise and approach, financial institutions can adeptly meet the unique needs of American clients living abroad, ensuring they receive comprehensive and compliant financial guidance.

Can you elaborate on the tax angles you referred to and outline some key implications for clients and your firm's offering?

The critical aspect to understand about U.S. citizens, including those living abroad, is that they are subject to

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U.S. taxation on their worldwide income and assets. This tax regulation necessitates finding tax-efficient solutions that are compliant with U.S. laws, including tax-deferred and tax-free investments and accounts. However, such solutions are limited, and navigating them requires specific knowledge and expertise.

Additionally, to offer these tax-compliant solutions, a firm must be appropriately licensed and regulated, aligning with the stringent regulatory environment of the U.S. financial market. This requirement ensures that only qualified professionals provide advice and access to suitable products for U.S. citizens. Despite the potential for firms in Asia to serve this market, interest remains low, and only a minority of firms possess the necessary licensing and professional capability to cater to the unique tax-related needs of American clients.

For wealth management to deliver a holistic and comprehensive service, incorporating a tax overlay is fundamental, regardless of the client's nationality or the assets and platforms involved, be it in the U.S., Switzerland, or the UK. This principle is essential not only for U.S. citizens, who are often at the forefront of tax considerations due to their obligation to report worldwide income but for anyone involved in international investments.

For investment professionals, a deep understanding of tax implications or access to knowledgeable tax advisors is non-negotiable. This need was highlighted in a situation with a client who believed her offshore trust was tax-compliant for both the US and her home country's regulations, based on advice from someone she trusted as a tax advisor. This individual turned out to be an investment salesperson without the proper tax advisory credentials, leading to the client facing audit challenges, a situation that we all want to avoid.

This example underscores the responsibility of financial institutions to ensure their teams are well-informed

about tax issues and the boundaries of their advisory capabilities. It also emphasizes the importance of providing access to legitimate tax advisory resources. Ensuring that a comprehensive tax overlay is part of financial planning and investment advice is crucial, safeguarding clients from potentially severe financial and legal repercussions, and it's a responsibility that extends beyond just the advisors to the institutions themselves.

How do you offer these and other clients a comprehensive set of solutions?

Fortunately, in financial hubs like Hong Kong and Singapore, there's a wealth of high-quality tax and legal resources available. However, identifying the right professionals requires diligence, as the most reputable firms typically do not engage in practices like revenue sharing, which can misalign incentives. The key is to actively seek out smart, talented professionals with expertise in various international tax domains, including U.S., UK, Australian, and Japanese tax laws.

The priority for financial advisors and institutions should always be to act in the best interest of their clients, adhering to a fiduciary standard. This means selecting solutions based on their suitability for the client's needs, rather than the potential for receiving fees from Trust Companies or other entities. The practice of accepting retrocessions from tax advisors, lawyers, and trustees introduces a conflict of interest that could compromise the quality of tax and legal advice provided to clients.

High-quality tax and legal expertise is accessible, and financial institutions have the option to seek out, hire, or internally develop these resources. The challenge lies not in the availability of these resources but in the willingness to invest the time and effort required to integrate this expertise into their service offering, ensuring clients receive the best possible advice and solutions. ■

