

The Virtues of Alternative Residence and Citizenship

Dominic Volek, Managing Partner and Head of Southeast Asia at investment migration consultancy Henley & Partners, gave a brief but very insightful presentation at the Hubbis Indonesia Wealth Management Forum to highlight the appeals of global investment migration, explaining why and how increasing numbers of Asia's wealthy are taking up alternative citizenship and residence options around the globe, and briefly mentioning some of the major programmes that his firm proposes.

HENLEY & PARTNERS' ACTIVITIES SPAN THE PRIVATE CLIENT PRACTICE, which focuses on the needs of high net worth (HNW) and ultra-HNW clients who seek secondary residence or alternative citizenship through investment, as well as the government advisory practice, where Henley works with countries to design, implement and promote their individual investment migration programmes.

"Why do we follow these Hubbis Forum's all over this region?" he asked rhetorically. "Well, we do a lot of business in these countries, and we work very closely with a lot of intermediaries including private banks, investment managers, family offices, and others in the wealth management community. We can help your clients, we can add value to your existing relationships, and we also share the fees on these projects when we are introduced by advisers and intermediaries. So, we can work harmoniously together, as we only advise on residence and citizenship planning, we do not cover any of the areas you work on with your clients. Accordingly, we can all work well for mutual benefit but ultimately to assist your clients."

Volek explained that over 20 years ago, Henley pioneered the concept of residence and citizenship planning. At the time Henley was formed, this concept was hardly known of, but today it has become an integral part of wealth management and of the planning put in place by forward-thinking families.

"We are experts in residence and citizenship planning," he reported. "We advise HNWI's and ultra-HNWI's on identifying and



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obtaining alternative citizenship and we help them to get permanent residence in other countries through investment.”

The other element of Henley & Partners’ business is the government advisory practice, where the firm strategically advises governments on the design, set-up and implementation of their investment migration programmes.

“To date,” Volek stated, “we have helped governments raise more than USD8 billion in foreign direct investment. We are the pioneers and industry leaders in both the private client and government advisory sides of the business.”

The global trend towards offshore residence and citizenship is even more intense in Asia due to the phenomenal rise in the number of HNWIs and UHNWIs in the wider Asia Pacific region. According to the Credit Suisse Global Wealth Report 2019, Japan and China led the top three gainers for millionaires from 2018 to 2019, second only to the United States, while India was the seventh biggest gainer of millionaires; collectively Japan, China and India contributed to an additional 379,000 millionaires from 2018 to

2019. Among the UHNW group, China is a clear second after the United States with 18,130 UHNWIs. And the trend is set to continue.

Volek observed that Asia’s HNWIs and the ultra-rich should seriously consider these options, and as they will need the best professional advice, they should consider Henley, as the reputed leader in this advisory business.

He noted that today Henley has a worldwide staff of over 300 across 32 offices, and with more than 60 of those in Asia. And added that the largest number of the Asian staff are based in the Singapore regional HQ, with other regional offices in Bangkok, Kuala Lumpur, Ho Chi Minh City, Manila and more recently Melbourne, Australia, which the firm opened in late 2018.

“Here in Indonesia, we help with many citizenship-by-investment (CBI) and residence-by-investment (RBI) applications. CBI is only offered by a handful of countries and that is actually the majority of our business, but we also help Indonesians with RBI options overseas.”

RBI is the less complicated option, whereas CBI is, understandably, the more demanding

and expensive option. CBI programmes confer on the successful individual, and their families, the same rights as ordinary citizens of those countries; the solution is permanent and includes voting rights and passports with little to no physical presence required. The great advantage of CBI is that it bypasses the traditional route of an HNWI and the entire family relocating to another country in order to earn citizenship.

In fact, Volek noted that CBI is a relatively new concept, explaining that there are only about 10 countries currently with specific legislation in place that allows an individual - as long as they pass the due diligence and anti-money laundering checks - to invest and become a citizen of that country.

Volek noted that Henley’s role is to offer professional investment migration expertise, but the firm does not directly involve itself in any form of tax or legal advisory.

Volek also told delegates that there are various reasons why private clients take up one or more investment migration options. There might be political or economic problems in their home country, or they simply wish to

have a 'Plan B', to safeguard against such issues emerging later on.

The motivation might also be more lifestyle-driven, perhaps due to education plans for their children or grandchildren, or even maybe for future retirement plans. And as investment migration can also cater to the whole family and even includes parents and more distant family members, the solutions on offer are rather comprehensive.

Another core motivation for many people in Asia is the relative weakness of their passports from a travel freedom perspective. Singapore, Japan, Korea, as well as Australia and New Zealand are very high up the ranks of the annual global Henley Passport Index, which measures how many countries a passport holder can visit without a prior visa.

While countries such as Singapore and Malaysia both have an excellent passport from a travel perspective, other passports in the region, including those from several other ASEAN countries, are far more limited in terms of their visa-free travel potential.

He explained that Indonesians are not allowed dual citizenship, so it is of course a much bigger decision for an Indonesian to take up CBI, because they would have to renounce their Indonesian citizenship if they obtained another one.

Volek also noted the typical private client is cash-rich but time-poor. He said most clients do not actually move to the new country, even if they obtained alternative citizenship, and that generally their motives are driven by additional freedom and flexibility.

He explained that the more traditional options have historically been the UK, the US and Canada and Australia, as well as New Zealand.

Some of the key programmes

Henley & Partners currently recommends, for either RBI or CBI, include several countries in the Caribbean, and EU countries such as Greece and Portugal (for residence) and Malta and Cyprus (for citizenship), as well as the more recent CBI options, Montenegro, also in Europe but not currently in the EU, and the Republic of Moldova.

The Caribbean, he explained, is very much about getting a better travel document, with USD100,000 to USD200,000 as a donation to the government required, resulting within six months in a second or alternative citizenship and that passport offering visa-free access to the whole of the Schengen, Singapore, Hong Kong, the UK and other destinations.

In Europe, he explained that the top three CBI destinations are Austria, Malta and Cyprus. "They offer outstanding travel documents but the real attraction there particularly for UHNWIs is that they are members of the European Union, so not only are you getting an insurance policy and a high quality passport, but you and your family are getting settlement rights throughout the European Union, in other words 28 countries, or maybe 27 if Brexit goes ahead."

His final point was that Henley & Partners is an advisory firm with expertise in investment migration, but it is not a tax advisory firm, that role must be sought out from other experts who can work hand in hand with the clients and in a complementary manner with Henley & Partners. "But of course, we do have more than 30 offices around the world, we do have in-house legal counsel and real estate consultants and we can help your clients from A to Z in order to achieve their investment migration objectives." ■

