

BRINGING OVERSEAS ALTERNATIVES TO CHINA'S WEALTHY

AS A GROWING NUMBER OF CHINA'S HIGH NET WORTH AND ULTRA HIGH NET WORTH FAMILIES LOOK FOR EFFECTIVE WAYS TO PROTECT AND TRANSFER THEIR ASSETS, RESIDENCE PLANNING IS INCREASINGLY ON THE AGENDA, EXPLAINS JENNIFER LAI, HEAD OF BUSINESS FOR HENLEY & PARTNERS IN HONG KONG.

The ancient Chinese proverb, "fu bu guo san dai", is common for a reason. Literally translated, it means "wealth does not pass three generations", referring specifically to the fact that wealth typically gets diluted and destroyed by the time it reaches the third generation.

In efforts to change this pattern, however, a growing number of wealthy Chinese patriarchs and families are

Some of them are looking to change their residences to enjoy lower – sometimes zero – tax rates. Others are seeking better education and lifestyle options for their families.

How they achieve that is certainly not a cookie-cutter approach. "We can't specify one option for all of our Chinese clients, it really depends on what individual families are looking for, on their priorities, and on the ultimate goal they



Jennifer Lai

Henley & Partners

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To do this, they are enlisting the services of wealth planning specialists of various types to put in place frameworks and solutions to protect their assets. And an increasingly large number of families are looking beyond diversifying their portfolio simply by investing abroad. More specifically, they're planning on relocating abroad.

have for the future," says Jennifer Lai, head of business for Henley & Partners in Hong Kong.

RESIDENCE OPTIONS TO CONSIDER

Given that China only recognises single citizenship, people seeking an alternative base in another country need not give up their Chinese passport.

There are other ways to derive benefits from having access to international jurisdictions without giving up their status in China. For example, obtaining a residence visa is a popular option.

While Hong Kong and Singapore have been among the traditional choices for

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relocation, Lai says that Canada and the US remain at the top of the list for some families.

Going forward, however, Malta is a jurisdiction which can offer opportunities for Chinese citizens (see box).

“The future for China will be Malta,” predicts Lai. “It is in the EU, and that allows people to reside, be employed or send their children for education in 28 European countries.”

A NEED FOR CONFIDENTIALITY

In helping Chinese clients achieve their objectives, privacy and confidentiality are increasingly a key requirement.

“Chinese clients are paying a lot of attention to data protection and the security of their personal information and background,” explains Lai.

In line with this, there is a certain level of confidence she has observed about

residence options in the EU or the US, because of the strong sense of privacy which exists in these countries.

And even the implications of regulations such as FATCA and other initiatives don’t seem to be hindering her Chinese clients at the moment.

CHINESE IMMIGRATION SERVICES

Winning business in this field in mainland China, however, doesn’t only come down to technical knowledge. It is essential to have a solid reputation and a strong client base to be able to secure new business among the local wealthy, given the levels of trust and comfort required to discuss such matters with various external specialists.

Lai explains that Henley & Partners also calls on the expertise of third-party service providers like banks, law firms, accounting firms and asset management companies. ■

Malta as an emerging centre

At first glance, the Malta Individual Investor Program, the first EU-approved citizenship-by-investment programme, may seem costly.

An investment of more than Eur1 million is required. Of this, Eur650,000 goes to the National Development & Social Fund, and there is the need to buy a property worth at least Eur350,000. Plus, applicants are required to invest at least Eur150,000 in bonds or shares, approved by the Maltese Government, to be kept for at least five years.

But the benefits outweigh the costs.

For example, Malta gives the high net worth individual access to asset and wealth management services, succession planning and even educational resources in any of the 28 countries in the EU.

“This is a good programme which covers the needs of most high net worth and ultra high net worth individuals and families,” says Lai.

More broadly, over 400 applications for citizenship in Malta – originating from across the world – have been received since the programme’s launch in early 2014. This represents a commitment of foreign direct investment into Malta of over US\$470 million.

The programme was designed and is operated by Henley & Partners for the Government of Malta under a Public Services Concession

