

Successfully dealing with the impact of Migrating Clients



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What are the opportunities and challenges of dealing with migrating clients?

The challenges for clients and professionals turn out to be the planning opportunities for us. Let’s see what the challenges are. If somebody moves from one place to the other, obviously the regulatory environment changes. For the client, there are new laws, there is new taxation that applies, maybe also state planning regulations, etc. The client then has to find out what his situation is, and he has to try to make sure that his ideas and his plans can still be executed or implemented. From a tax point of view, with moving there’s also a lot of challenges. You have to make sure that everything’s done the right way, no mistakes happen, income tax, capital gains tax, estate tax, all these things come up.

For the professional, this may have a huge impact as well. Because if you work in a bank and you’ve got clients, very often you’re allowed to have clients from two or three countries. If they move to a different country, you may have to move them to a different desk, or you may even have to say goodbye to them also. It can be very challenging if clients move to certain jurisdictions that are really highly regulated, let’s say the US, for example. Many banks or asset managers are then not allowed to deal with the clients just because they will not be in compliance with SEC rules, etc. This is one of the big things we take care of with our solutions, and we help the client and the professional.

What are the specific challenges if a family member moves to the US?

If one of the family members moves to the US, then you have questions like how are they going to be taxed? Are they going to become a green card holder, eventually even owning a US passport? That means that tax sticks to them for the future; wherever they are, wherever they’re going to live, they will have to pay tax in the US. The taxation in the US is different from other countries, there is state tax etc. All of these questions come up, and this is a very important point.

The next point is also, if the parents, for example, buy real estate in the US, they own a US asset, and then there will be a state tax on wealth exceeding USD 60,000.

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There's a further challenge regarding the SEC. If a client in the US has a bank account abroad, he can no longer necessarily talk to his advisor because the SEC will not allow the bank or the asset manager to talk to a US-domiciled person. The client will have to make sure they talk to US-registered investment advisors. So there are big implications for people living in the US, but also for their professionals.

Another thing is if you have an investment portfolio, and you become a US resident, a taxpayer, then you may not be allowed to invest in certain investments abroad anymore. For example, most mutual funds are not available to people in the US, or if they are, you may face horrendous negative tax consequences (PFIC).

What about tax efficient places like Dubai or Monte Carlo?

This is always a topic that makes me smile, because if I talk to clients about tax planning, some may answer, "Hey, Marc, I figured it out completely, I'll move to Montecarlo or to Dubai." I, myself live in Dubai now, which is wonderful. But in reality, you still pay tax even if you live in those countries.

If you invest your money in listed securities, you get dividends etc. Because you live in these countries, most of the time, you don't have access to any double taxation agreements, and very often you pay

up to 30% income tax or withholding tax on those dividends. Careful planning may bring the advantage that you can reduce this withholding tax or even get rid of it completely. For example in the US you do pay the withholding tax, and we have the possibility to set up a solution through insurance, if you do it the right way, withholding tax will drop to zero.

Can your solutions make any difference in high-tax locations like Europe?

Especially in high tax places like European countries, mainly we use insurance in the center of our planning, which is a huge topic. Insurance grows tax-preferred in most countries in Europe, but also outside of Europe. And it just allows, if it's tailored correctly, the assets to grow fully tax-preferred, very often tax-deferred or even tax-free, which is a huge advantage. Number one, you have a higher return, and number two, you also have very simplified or completely reduced reporting.

How can advisors deal with the changing regulatory challenges involved?

Our solutions help both clients and of course the advisors with the changes from a regulatory point of view. In fact, when I started 21 years ago, nobody really was interested in our tax-compliant wealth protection plans because at that time nobody

really cared about tax or tax-preferred growth, and number two, nobody really cared about cross-border regulations or client protection laws. This has changed tremendously, and therefore it has helped our business a lot.

The great thing about our solutions is that a large number are insurance based. Every country has a very strong insurance industry, it's all very regulated. And because in most countries the insurance industry is the largest investor in government bonds, we have a huge lobby and very strong voice to defend our solutions.

If you look at the trust industry, trusts are very often offshore and therefore there is not such a strong lobby. And often there is even a lobby against these kinds of solutions in a country. Insurance is the opposite. And I think that has helped us, has helped the clients, and has helped the advisors very much along the way.

Just to make it very clear for the banker and for the asset managers, the insurance company is the counterparty, the individual client will be the client of the insurance company. So, the client owns a policy which grows tax-preferred. The insurance company has to make sure from an AML point of view, or from a cross-border point of view, that they are in compliance. For the bank or the asset manager, the insurance company will be the counterparty, which makes life so much easier. ■

