

PRIVATE WEALTH

Marc-André Sola, Chairman, 1291 Group

THE MILLIONAIRES' EXODUS

Around the world, money is being transferred from one place to another - and the wealthy are going with it. High-net-worth individuals (HNWIs, people with assets amounting to more than USD 1 million) are attracted to jurisdictions with more favourable tax laws, less pollution and lower crime rates.

The latest study by AfrAsia Bank in 2021 focused on individuals with a net worth of USD 1 million to USD 10 million who took up residency in a new country and spent at least half of the year there. According to this report, tax and financial concerns and professional opportunities were among the reasons HNWI decided to make the move. Better education and healthcare systems, safety, a better standard of living and, last but not least, escape from an oppressive regime also led to HNWI picking a new home.

Personal safety and health

In Latin America, Africa, Eastern Europe and Asia, wealthy families fear for their safety and their health. India, for example, is home to a number of extremely wealthy families. While it goes without saying that most of their assets are internationally diversified already, the COVID-19 pandemic has meant that these Indians face the problem of overcrowded hospitals and an insufficient supply of oxygen devices - no matter how rich they are. After all, even the rich cannot buy something if it is not available to purchase! That's why they are moving their families to countries that are stable, well organised and have modern infrastructure. Of course, the UK is a top destination, but Switzerland and Dubai also appeal to them.

It's no secret that China has been a veritable wealth creation machine over the past two decades. Although the country is still making a number of its citizens very wealthy,

more than 15,000 Chinese HNWI chose to migrate to other countries in 2018¹ - the most significant migration of any country.

Offering a safe haven for family and wealth alike

In these same countries, the COVID-19 pandemic has aggravated the plight faced by the poor. This then leads to an increase in crime and a growing threat to the wealthy's very existence, with strongly socialist or even communist positions also experiencing an upswing. Even in highly developed countries, policymakers are wondering how to plug the gap and refill their coffers after increased spending on COVID-19 countermeasures and lower tax revenues. In many countries, there is talk of a spike in income tax, inheritance tax, a one-off 'Covid tax' or a wealth tax, with these thoughts going as far as the expropriation of the wealthy. In turn, the rich no longer feel safe and decide to leave the country in question. Their criteria for their new adopted home include political stability, personal security, good infrastructure, good schools for their children, legal security, language and cultural understanding, of course, but they also encompass the country's tax system and geographical proximity. This means that Latin Americans tend to move to Portugal or Spain, Indians to London or Dubai.

¹ <https://www.visualcapitalist.com/global-migration-of-millionaires/>

“From our family to yours”

But one country suits everyone, regardless of where they come from: Switzerland. We have an incredible reputation around the world, and our country ticks all the boxes.

Conversely, Switzerland also benefits from taking in these families and offering them a new home, drawing great gains from investments, taxes and new jobs.

Retain and grow wealth by complying with the law - and thinking about tax

In today's world, the consequences for evading taxes or wrongly reporting returns are draconian. At the same time, clients face an ever-heavier tax burden in their home countries. They need a solution that allows for easy reporting and legal ways to optimise taxes: insurance.

1291 Group primarily puts insurance at the heart of our planning in places with high tax rates, like European countries. Insurance is tax-efficient in most countries within Europe, but the same is also true outside of Europe, too. And, if properly tailored, enables an individual's assets to grow in a completely tax-efficient manner (and, indeed, very often tax-deferred or even tax-free), which is a huge advantage. Firstly, it offers higher returns, and secondly, it generates a greatly simplified or reduced reporting obligation, to boot.

More than 20 years ago, hardly anyone was interested in tax-compliant wealth protection plans because, at that time, nobody really cared about tax or tax-efficient growth, and nobody really cared about cross-border regulations or client protection laws, either.

This has changed tremendously over the last few years - and this has been very beneficial for our business.

1291 Group is more than one of the world's leading advisors for private wealth solutions. We are licensed in over 30 countries, working with 48 insurance companies in over 15 different jurisdictions to offer tax-compliant solutions for clients from upwards of 50 countries.

The major benefit of what we offer? The bulk of our solutions are insurance-based, with the challenges for clients and professionals caused by this transfer opening up huge business opportunities for us.

Every country's insurance industry is heavily regulated. And because the insurance industry is the largest investor in government bonds in most countries, this gives rise to a huge lobby and a very strong voice for our solutions. Conversely, if you look at the trust industry, for example, trusts are frequently positioned offshore, meaning that

their lobby is weaker than ours. And in these offshore countries, it's even common for there to be a lobby arguing against these kinds of solutions.

With insurance, the situation is the opposite. The global migration of the wealthy has spurred on our growth, it has helped our clients and it has greatly supported our advisors along the way, too. How does it work? For bankers and for asset managers, the insurance company is their counterparty, and their individual client will be the insurance company's client. By extension, the client owns a policy which grows in a tax-efficient manner.

From a cross-border or an anti-money laundering point of view, the insurance company has to make sure that these investments are compliant, and with the insurance company acting as the bank or the asset manager's counterparty, this makes life so much easier.

There's no doubt that leaving your home country can be hard. Families have deep roots; their circle of friends, their companies and their real estate cannot be relocated abroad, and as a result, emigration is usually only considered as the last step, with a family's mobile assets taken abroad and protected there to begin with.

Associated (but manageable) challenges

In addition to seeking residence permits and looking for accommodation, getting to grips with different legal and tax systems often poses major challenges. As ever, preparation is key, and can often avoid otherwise unforeseen problems or high costs. Moving away from your home country also calls for solid planning as far as tax is concerned, too. For example, countries like the USA or Germany have exit taxation, and in certain countries, a move is only accepted for tax purposes if all an individual's residential properties are sold. Here, too, there is room for a good deal of optimisation, if you plan carefully. Tax isn't everything you need to think about: family and inheritance law issues are also central. For example, anyone who moves to Dubai is automatically subject to local inheritance law, which differs greatly from ours.

In short, moving to a new country requires planning on multiple levels, from the logistics of the move through to the nitty-gritty of any legal, tax and financial implications.

1291 Group has been advising families around the world for over 20 years. We have extensive experience in international taxation, inheritance law and wealth planning and offer solutions for almost 50 countries. In turn, our clients can benefit from both, our expertise and our global network of leading lawyers and tax firms.

F I R E S I D



Marc-André Sola

Educational background: Master of Law, with more than 25 years of experience in financial services and international wealth and tax planning.

Professional stations: Chairman and Founder of the 1291 Group and Board Member in several other companies in different sectors.

Important values: I believe in family and long-term relationships. I want to help my clients with all my experience and network. In all my undertakings I try to create a win-win situation for all parties involved.

BSL: Marc-André Sola, 1291 Group celebrated its 20th anniversary last December. Could we say that we are halfway between youth and maturity?

Yes, that sounds about right. When I started 20 years ago, I was convinced that I would sell the company after five years, just to start something else. Today, I am more fascinated by and enthusiastic about our business than ever before. We add real value for our clients and partners. We continuously develop our solutions and services. As well, from a corporate point of view, we continuously increase our professionalism. You are right, we have achieved a lot already, but we have not yet reached the peak of our goals. There is so much more to do.

BSL: In 2001, there was a major economic crisis, the bursting of the dot-com bubble and the September 11 attacks; in 2008 we had another crisis, the fall of Lehman Brothers, followed by the Panama Papers, etc. and, in 2020, the COVID-19 pandemic! How has 1291 Group navigated these successive crises?

The last 20 years were full of highlights, crashes, regulatory changes and many other challenges. We had a really tough start. When we went live in 2000 and announced that we offered tax-compliant wealth protection plans, nobody really cared. Finally, when transparency kicked in and cross-border regulations were applied more stringently, that's when our business took off. In hindsight, we were absolutely on the right track - we were just a little early.

Of course, we also went through difficult times. But I believe the following three factors were key for our success:

1. 1291's employees ('1291ers'): we count on a fantastic team and work in a climate of trust. We aim for the best result, and everyone takes on responsibility. This is also reflected in our working culture, for example we eliminated contractual holidays and working hours, enabling 1291ers to benefit from a more flexible and enjoyable work-life balance. Many of us have children and must pick up kids from school or spend time with the family during the day or during school vacation. We give them this freedom, as the work gets done later in the evening or over the weekend. I believe that our staff's motivation us up and working more effectively because of this.
2. Market leader: we have the aspiration of being the market leader. We spend a lot of time on reading and edu-

ECHAT

cation to be on top of the required know-how. We work hand in hand with regulators, associations and insurers. As well, we are exchanging experience with internal and external experts. We count on a global network of professionals and partners, allowing us to come up with the best and most sustainable solution at any time, even in a changing environment.

3. We are very entrepreneurial: we try to identify new concepts and opportunities. As a consequence, we started 1291 Services and 1291 Private Office and grew in new areas with strong synergies with our core business. Our global expansion to Asia, the Middle East and Latin America makes us much more resilient in a crisis and allows us to be present in growing markets.

We are licensed in 35 countries, work with close to 50 insurers and we are on the boards of the most important banks and asset managers. (Quote Marc 20th anniversary)

All the challenges the world was - and still is - facing with the pandemic, COVID-19 had no negative impact on our business. I am grateful for this.

The fact that the usual hectic travel schedules calmed down was beneficial for us. We could strengthen our focus on business development.

Many of our clients became aware of the importance of asset protection and estate planning. We focused on their requirements, and implemented new strategies.

2020 became our most successful year yet.

BSL: The slogan of 1291 Group is 'From our family to yours'. What are the values behind it?

Family represents the most precious values in life. It means we care! We care for our 1291ers, our partners and for our clients. We understand our client's needs and fears, and it is our mission to offer our best tailor-made advice. We advise our clients as if they were members of our own families. And they become part of the 1291 Group family.

BSL: This interview is published in a financial magazine, but in a 'GlobalTech' supplement. What is the 1291 Group's approach to digitalisation? (Fintech companies, 'insuretech' start-ups...)

Of course, we are confronted with these topics, mainly through our clients and their investments. We also use new technology for research, communication, internal training, etc. But our way of doing business is still very personal. We want to understand our client's situation and needs clearly in order to create the best possible results for them.

BSL: What are the customer's expectations in terms of digitalisation? (Cryptocurrencies and other new investment/financial vehicles?)

That absolutely depends on the individual client and their beliefs and fears. Increasingly, crypto is becoming the 'new normal', and is part of an overall investment strategy. For us, it is important to understand the technicalities and related tax consequences in order to best integrate these investments into our planning.

BSL: Do you also have any expectations in terms of sustainability, sustainable development and impact investing?

All of our solutions are sustainable by means of long-term planning, adaptability, etc. But I guess this is not what your question is focusing on.

We don't provide investment advice. But, in our large network of investment professionals, there are some champions in this field. It is obvious that, during the last few years, it has become standard for our clients to invest in green or sustainable products. Especially because these investments can become very profitable.

BSL: In conclusion, do you have a prediction about the evolution of 1291 Group over the next 20 years?

It is impossible to plan 20 years ahead. But I promise that we will continue to do our best in future years, too, by:

- trying to stay on top with our client solutions and create maximum long-term value for our clients and our partners
- trying to offer an attractive workplace for young talents, top professionals and silverbacks.

We are driven to become the number one brand when it comes to tax-compliant wealth protection. ■