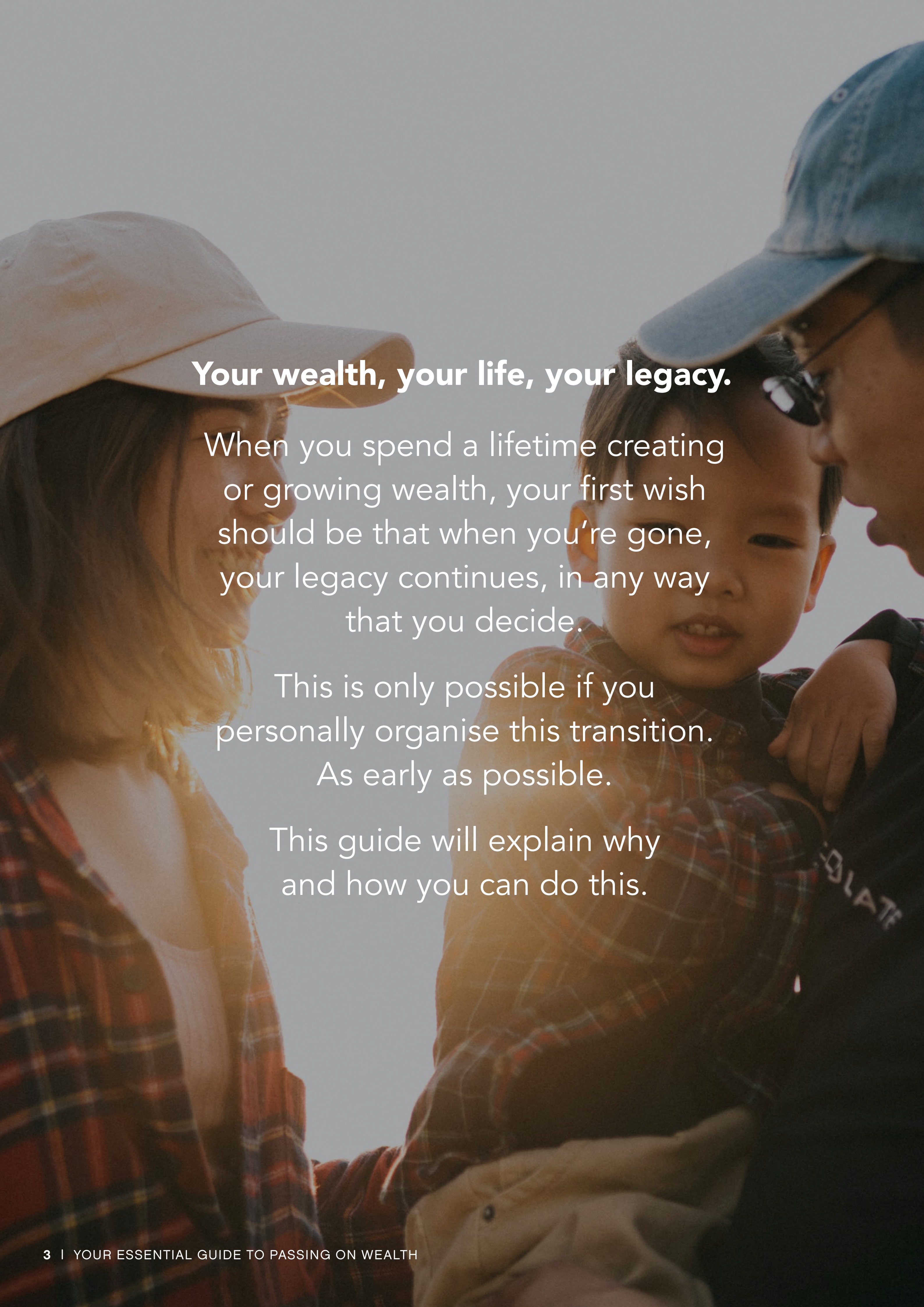
QUINTET
PRIVATE BANK

YOUR ESSENTIAL GUIDE TO PASSING ON WEALTH

HOW TO PROTECT YOUR LEGACY AND YOUR LOVED ONES

Contents



Your wealth, your life, your legacy.

When you spend a lifetime creating or growing wealth, your first wish should be that when you're gone, your legacy continues, in any way that you decide.

This is only possible if you personally organise this transition. As early as possible.

This guide will explain why and how you can do this.

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TAKING CARE OF THE THINGS THAT MATTER

Passing on wealth is about ensuring your wealth goes to the right people in the right ways, whether that's family and loved ones or charitable causes close to your heart.

You want to know your wishes will be fulfilled after you've gone. But what about making a difference during your lifetime? The good news is you can pass on your wealth in ways that work for you, during your lifetime and beyond.

With the right planning, you can minimise Inheritance Tax (IHT) and ensure more of your wealth is passed on.

At Quintet, we are here to support and guide you through that journey.

This guide gives you an introduction and sets out some of the key considerations to keep in mind when planning to pass on wealth. Think of this as a starting point.

Facing the tough questions...

Conversations about passing on wealth raise a lot of questions — practical and emotional. Some things will be difficult to talk about. You might have concerns about what your loved ones will do with any assets they inherit. Maybe you're worried about them getting married or divorced and the financial implications this could bring. Perhaps their life isn't working out as they'd planned and you want to put in place some controls over the wealth they receive. There might be a family business that you want to protect. Or perhaps you want your wealth to benefit charitable organisations and create a legacy after you're gone.

...and finding the right answers.

We'll ask the difficult questions, to help you understand your objectives and your motivations. We can highlight areas you may not have considered.

Understanding your priorities

Blended families, changing relationships, business ventures, personal connections — we understand that everyone's situation is unique. The same goes for your portfolio of assets. We'll use our experience and in-house expertise to help you maximise the impact and value of your wealth for the next generation. At the same time, you need to take care of yourself before you can take care of others, so we'll ensure that your own financial security is a priority when planning.

It's never too early

As tempting as it is to put things off until later, we know from experience that it pays to start talking about planning as soon as you can. There's a lot to think about when you have a large estate. Working out what you want to do and putting plans into action takes time. Once the plan is in place, we'll get together and review it regularly to make sure that any changes in your circumstances and aims are reflected.

Understanding your options

In this guide, you'll discover different ways to pass on and protect your wealth. For example, if you are worried about losing control of your wealth, there are options to mitigate inheritance tax without gifting money outright. We explain the importance of a Will and Lasting Power of Attorney (LPA) in ensuring your wishes are followed. Plus, there are actions you can take now to feel the benefits of inheritance planning during your lifetime.

Three Generations of Wealth

Rags to riches to rags again in three generations. This is something we talk about often with our clients when discussing wealth preservation. It describes the idea that the 'first generation builds wealth, the second maintains it and the third squanders it'. It's a pattern (and a proverb) that can be seen in different cultures across the globe. And data backs up the truth of it. A 20-year study involving over 3,200 families found that 7 in 10 tend to lose their fortune by the second generation, while 9 in 10 lose it by the third generation.

This is certainly true for some families, but not all. So, what makes the difference? Research suggests two things. One — within families that are very close-knit and involved in the family business, the next generation typically values the wealth and understands how to look after it. Two — establishing a pattern of regular giving in the family, as opposed to leaving a very large amount on death. If a child has had regular financial help over time, for example for their first car and first house, they're more likely to respect the wealth they inherit and less likely to squander it.

At Quintet, our expertise in intergenerational transfers of wealth enables us to support our clients' concerns about the next generation. Our wealth planning-led approach ensures there is a clearly stated wealth strategy, enabling a higher degree of success in achieving this goal through successive intergenerational transfers.

Preparing the next generation

When the next generation is set to inherit wealth, financial education is important. Simple steps can help, such as starting saving habits for children at a young age. However, preparing children to inherit wealth so they understand how to think about, use, control and preserve it is a bigger conversation. At 18, children can take control of investments and make their own decisions. It's a big step and we can support your family in this transition.

Some of our clients have their children join them in our annual meetings, or even attend some of our dedicated 'next generation' events — so they can hear about their own investments. It gives us an opportunity to engage with them, not just to offer education but also to understand where they would like to invest and what they want from their investments.

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IMPORTANT QUESTIONS TO ASK YOURSELF

How much wealth do I need for the rest of my life?

Your financial security comes first. Before you think about passing on your wealth to others, you need to be confident that you have a plan in place to meet your long-term needs, including later life care. It's important to consider your lifestyle and state of health as these things will influence how much money you need.

Are you comfortable giving your wealth away?

When you make a gift, the money or assets are no longer yours and you cannot control what the beneficiary does with them. Before you make gifts or hand over control of assets, you need to feel confident that it's the right thing to do, no matter what happens next. It's not always possible to anticipate what the future holds or predict what a beneficiary might do, so it's worth thinking through the possibilities.

Who, when and how much?

Who are your beneficiaries? When do you want to pass on wealth to them? And how much do you want to give? These aren't always simple questions to answer but we can support you in these discussions. Best of all, if you don't want to wait to pass on your wealth, there are a lot of options for lifetime giving. This way, you get the pleasure and satisfaction of seeing your wealth benefiting the people and causes you care about.

Do you want an element of control over how assets are distributed and the timing of this?

If you'd like to maintain some control over the assets you're passing on, you might use certain solutions/vehicles to determine when and how the next generation benefits from assets and money. We explore the different planning options depending on your country of residence and the commonly available solutions. You don't have to have all the answers before we meet.

We'll work through these questions with you when we sit down together. From our experience with clients, we find a combination of solutions is usually the most appropriate plan.

How explicit and transparent should I be about my wishes?

Many clients like to involve their beneficiaries when making plans in order to find out what will help them most — for example, repaying debt, education fees or retirement saving. It might not be easy to talk to your loved ones about money, legacy and what happens after you've gone. But ultimately, these conversations can have very positive outcomes — whether that's in protecting wealth, supporting charitable causes or putting succession plans in place. By talking together now, everyone has clarity about what comes next.

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WHO WILL YOU PASS YOUR WEALTH ON TO?

Intergenerational transfers

Who you pass wealth to is entirely up to you. You might wish to benefit different family members at different stages of their lives. Grown up children might need help repaying debt or paying school fees for grandchildren. Or if grown up children are financially secure, you might consider skipping a generation to mitigate inheritance tax and preserve wealth. You may decide to give grandchildren or loved ones a helping hand with buying a first home or saving for retirement. Whatever your ambitions, we can help you achieve them.

Family businesses

Family businesses are another way of passing on wealth and you will need to plan for it as part of your succession. Do you want to keep it in family hands? If the plan is to pass it to your children, do they have the aptitude and ambition? Do they want it? You may have close relationships with people in your business who feel like family — in which case, you may want to ensure they are looked after. Conversations with your family are vital to reach an agreement over the future of the business and we can help you put the right succession plan in place to protect your legacy.

If you have a family-owned business, you may be able to pass your interest in the business on to the next generation, either during your lifetime or on death. Many countries have Business Relief facilities, reducing inheritance tax or gift tax on family businesses in order to favour the transfer without putting the continuity in danger. Certain conditions apply and depending on your country of residence, inheritance tax might be zero or reduced. You'll need to confirm with your tax adviser if Business Relief applies to you.

Giving to causes you care about

Charitable donations

Supporting charitable causes is close to many clients' hearts. Many legislators encourage charitable giving by offering tax incentives during their lifetime and when leaving legacies. Depending on your country of residence, the rate might be zero or lower than the usual rates under certain conditions. In other cases the gift might be deductible from income tax. The possibilities in your specific case are to be explored.

A private foundation is an individual charitable fund set up under a sponsoring charity.

The sponsoring charity acts like an umbrella, holding the private foundation on behalf of clients underneath — think of it as a charitable-giving account that you can use to donate to charities. Money and other assets can be contributed to a private foundation.

All of the administration, reporting responsibilities and processing are taken care of by the umbrella foundation for a fee. From an inheritance taxation perspective, your assets are transferred once the private foundation receives your donation.

We can discuss all these options with you and explain how charitable giving can offer an inheritance tax benefit.

Charitable foundations

Sometimes, passion for a cause goes beyond making donations and becomes something greater. Increasingly, clients want to actively use their wealth to help others — which sparks the question, "What's the best way to achieve this?".

If you want to leave a significant charitable legacy and have a truly bespoke arrangement, you might consider setting up your own charitable foundation. Setting up a foundation typically requires professional advice and will have ongoing administration and reporting responsibilities. It's usually suitable for clients who wish to take an active role in philanthropy and who are looking to make very large gifts.

By choosing this route, you can be sure your money will be used in the way you wish and reach the people you want to help. The advantage of a foundation is that you choose how much or how little involvement you have. You can be the public face of your foundation and it can carry your name. Or you can be totally anonymous. You can choose to be hands-on or bring in professionals to run it. Perhaps you want to involve your children, grandchildren and loved ones as trustees?

Another reason that a foundation is attractive is you have reassurance that it's being run in a way that aligns with your values. For many of our clients, this is where philanthropy and sustainability go hand in glove. For some foundations, sustainability is at the core of their work. For others, it's about making sure the investment that powers the foundation is sustainable and ethical — focused on generating wealth in a way that doesn't do harm. This is why, at Quintet, we discuss investing sustainably as part of the process.

A note of caution: Being generous is a good feeling. But once you've given away your money, you can't get it back. Before you consider giving to others, you need to be certain your own future is secure. We can help you with this before you make any decisions.

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WHY DO YOU NEED A WILL?

When you engage with us, 'Have you got a Will?' is one of our first questions. You never know what's around the corner, so don't leave things to chance. Writing a Will doesn't have to be complex or expensive. If your circumstances change, it's easy to update. In short, it gives you peace of mind that everything will be taken care of after you're gone. The conditions for a valid Will can vary from country to country; it might be a notarial deed or handwritten document. This is important to check before writing your will. Other legal documents that can be useful in looking after family are prenuptial and postnuptial agreements. Many of our clients worry about what will happen in the event of a marriage or separation. In fact, prenups and postnups can benefit both parties, with a legal understanding of what they are entering into and what they are entitled to if the marriage comes to an end.

A Lasting Power of Attorney is also a crucial legal document to have in place and we cover this in the next section.

Your wishes in writing

A Will tells those dealing with your estate where you want your wealth to go after you pass away. By putting your wishes in writing, everyone is clear who you want to benefit from your estate. It saves your loved ones time, money and stress.

Without a Will, your estate will be distributed according to the Laws of Intestacy, which may not be as you intended or tax efficient. This can cause conflicts as your wealth may be funnelled to relatives in ways you didn't expect, and not necessarily to those who you wanted to benefit. Under the EU Succession Regulation, the laws of the country of residence apply in the absence of a Will. The same Regulation allows you to opt for the law of your country of nationality. This choice gives you the flexibility to pick the law that you are more familiar with or that is best in line with your wishes.

Your Will protects your loved ones and makes things easier at a difficult time. Your Will can appoint guardians for minor children, make provisions for non-family members and unmarried partners, appoint individuals to manage your estate and hopefully avoid family feuds. It is a legally binding document and to be valid, it must be prepared properly. Those with large and more complex estates will benefit from professional advice.

Writing a Will is also an opportunity to leave a charitable legacy and make a lasting difference in the world. It's a way for your beliefs and values to outlive you.

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LASTING POWER OF ATTORNEY

What happens if you can't make your own decisions?

An LPA gives someone else the power to make decisions on your behalf when you are incapacitated either temporarily or permanently. It's one of those legal documents that you hope you'll never need, but you shouldn't be without.

You can choose who to appoint as your attorney and you can have more than one attorney if you wish. You have to be able to make your own decisions to set up an LPA so it's always best to do it alongside your Will. Losing capacity can be temporary, whilst you recover from an accident for example, or permanent through an illness like dementia.

Different countries have different types of such solutions. We can help you explore the available solutions in your country of residence.

If you don't have an LPA in place and you lose capacity, your spouse, civil partner or family won't be able to access your assets (with the exception of jointly named bank accounts.) This can mean a lot of time and stress for loved ones as they'll have to provide an alternative form of authority in order to manage your affairs. What's more, you have no control over who makes decisions and no guarantee of your wishes being followed.

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INHERITANCE TAX AND ESTATE PLANNING

Naturally, you want to pass on as much wealth as possible to your loved ones and favourite charities after you've gone. With sensible estate planning, you can mitigate your IHT liability and leave a bigger legacy.

What is IHT?

IHT is a tax on your estate when you die. It can also be charged when you make gifts during your lifetime. Your estate can include your house and any other properties you own, savings, investments and any other assets.

Every country has its own inheritance tax rules, often applicable if the deceased resided in the relevant country, but sometimes also if the heir resides and/or when assets are located in the relevant country. Depending on your specific situation, we can help you analyse the tax impact in different countries and explore the local solutions available to mitigate the tax burden.

Transfers between spouses and civil partners

Many countries offer large tax reductions or exemptions for transfers between spouses and civil partners. Tax rates are usually lower than for other beneficiaries. If you're living together but not married, there might also be favourable regimes where certain conditions are met, such as how long you've shared a home and being registered at the same address. Together with you, we can explore what's possible in your specific situation.

Residence Exemptions

In many countries, the family home benefits from specific tax exemptions or reductions. Sometimes, it's entirely exempted. In other cases it is limited to a certain maximum amount. Yet in other countries, the family home is deemed to benefit from a general exemption for the surviving spouse.

Another question is if the favourable regime is applicable to spouses only or also to registered partners or even co-habitants. Depending on your country, even the next generation might inherit the family home under a favourable regime. At Quintet, we can help you analyse your situation.

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TOOLS FOR PASSING ON YOUR WEALTH

Wills, gifts, marriage contracts, tax efficient investments, life insurance and pension planning — there are many ways to pass on your wealth to the people you care about. We're here to help you do it in ways that work best for everyone. The following are just a few examples of how you can pass on wealth in tax-efficient ways. When you speak to a Quintet Client Advisor, we'll be able to tailor a plan that's personal to you.

Making gifts

There are a number of ways to give money away. Let us walk you through some of the most popular options.

Gift exemptions

Each country has its own gift exemptions, either available each year or to be cumulated every 10 or 15 years in some countries. Different exemptions exist for children or other descendants, sometimes enlarged for handicapped beneficiaries. There might be specific exemptions for certain occasions, such as buying a first home for personal use. If no exemptions are available, recurrent gifts might still be of interest to reduce the applicable to lower the applicable tax rate.

Life insurance

Life insurance contracts can help to ensure your wealth is passed on to future generations in a considered and controlled way. Life insurance contracts work well if you have concerns over giving away large sums of money and can be used to manage the timing of when family members receive assets. Where family situations are complex, for example, involving divorce, remarriage, children and stepchildren, life insurance contracts can also offer a potential solution.

For example, with a life insurance contract, you can hold money and assets safely for a family member until they reach a certain age. When it comes to estate planning, a life insurance contract can enable you to impose restrictions on how your estate is allocated to named beneficiaries.

In many countries, the transmission to beneficiaries by life insurance contract is considered to be outside the succession. The designated beneficiaries can be other persons than the heirs in the Will. Usually, the wealth received from life insurance is subject to inheritance tax nevertheless. During your lifetime, a life insurance contract might also benefit from a favourable income tax regime and could be gifted depending on your country.

We work closely with our clients, their professional advisors and our top-ranked network of advisors to understand if a life insurance contract is the right vehicle for wealth and estate planning or even international mobility.

Let’s talk

Making informed decisions about how you pass on your wealth is a positive and empowering thing to do. We know there’s a lot to think about. That’s why we’re here to help you explore the options, have the conversations and put plans in place.

Working with Quintet

It starts with a phone call. We’ll find a time for you to talk to one of our Client Advisors. This conversation is a discovery session, where we listen and learn about your family, your finances and your wishes. Once we understand what you want, we create a plan that’s tailored to your unique situation and start putting it into action.

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Talk to us

This brochure is only intended to provide a brief description of our Wealth Management services. Please contact us to discuss your particular requirements.

Visit www.quintet.com

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