

Heading for Shifting Shores

As wealthy LatAm families have begun diversifying their portfolios more aggressively, they are doing so not only across asset classes and markets but across jurisdictions, as well. This trend has persisted, or indeed accelerated, as many traditional save havens have reformed their exchange of tax information regulations to conform with international standards.

“There is a great benefit to having multiple jurisdictions holding your money, assuming you can legally do it,” says Carol Pepper, CEO and Founder of Pepper International, a New York-based family office serving international clients. “You just don’t know what’s going to happen within the government of your country. Where you can be offshore from your home jurisdiction, it’s a wise thing to do.”

Oscar Alerhand, a founding partner and CEO of Galileo Investment Management, a

New York-based multi-family office, agrees, seeing such diversification into offshore jurisdictions as part of a more sophisticated structuring of family portfolios. “For our investors the way they approach structural issues of their investments is just as important as the discussion on expected returns. They look for the best potential solution with a global approach. The amount of sophistication in terms of setting up the right structure has increased dramatically. They want to find a jurisdiction that is not volatile and where regulation and reporting requirements are stable and consistent.”

Ms. Pepper says that the Bahamas is very interested in having offshore LatAm families domiciled there and has made its tax and trust laws attractive for offshore accounts. “Switzerland is rapidly retooling themselves, too,” she adds, “and Singapore is very eager and interested, and surprisingly you have a lot of LatAm families locating their assets in Singapore.”

Yet, with the global shift toward sharing tax information, the window of opportunity is closing. “Every tax authority on the planet would like to be the U.S., taxing its citizen’s income worldwide,” says Ms. Pepper. “And every tax authority is moving as quickly as they can toward taxing their citizens on as much of their income as possible. One thing people are realizing is that, if there’s a way to move money offshore from your home jurisdiction, now is the time to do it, because that door is will probably shut in the future.”

In this new climate, many experts see the concept of offshore itself changing. “Offshore in the geographic sense is and will remain an important theme for families,” says Benno Raeber, a Principal at the family office Prime Advisory Group, “but offshore in terms of taxes will fade away. From the tax perspective, smart structures will be the ones using international operating companies, not international passive investment companies.



They will make better use of their families being physically spread out internationally.”

Paul Koch, president of Altasol, a Miami-based provider of performance and risk management services, agrees that the issues of suitability, compliance, and transparency have become paramount. Family offices for LatAm clients] can be located in New York, Miami, London or Sao Paulo. It just depends on the needs and the priorities of the principals involved. But I don't think you're going to see many new family offices in exotic places – those days are gone.”

To navigate this changing reality, says Ms. Pepper, setting up flexible vehicles is paramount. “Whatever you set up in one jurisdiction,” she says, “you want to make sure that you can move it to another if the laws of that jurisdiction change or if the tax treaties change between that place and your home country.”