

Wealth Planning Through Use of Foreign Pension Plans

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IWP Miami Meeting - March 22, 2017



Dominion Fiduciary Services - Who we are

- Dominion Fiduciary Services established in 2001 has rapidly become one of the largest independent owner-managed multi-jurisdictional trust and corporate services providers offering clients and intermediaries personal service.
- Over 130 staff with offices in Dubai, Geneva, Jersey, London, Malta, Mumbai, New York, and (.....Miami?)
- Servicing a sophisticated client base throughout the UK, US, Latin America, the Middle East, Europe and Asia including a number of large corporations, hedge fund & private equity groups, high net worth individuals, families, charities, foundations and global advisory firms
- Design, establish and administrate global employee trusts, trusts, international pension plans & international wealth planning solutions for high net worth individuals, families, charities, foundations and corporations
- 3,000+ clients with over \$11bn assets under fiduciary management



Dominion Fiduciary Services - Objective

Our goal is to team with intermediaries and introducers who focus on high net worth individuals and families in Latin America and the US to provide:

- Tax compliant investment solutions (CRS/FATCA)
- Wealth preservation & financial planning solutions
- Tax deferred retirement savings options
- Tax efficient lump sum & income distributions
- Tax efficient solution for legacy planning
- Pre-immigration planning solutions
- Options for Asset protection
- Flexible trust alternative for US and EU resident family members



Dominion Fiduciary Services

Current Trends in Latin America

- 4th largest wealth region in world
- Favorable demographics / growing middle class
- Increased regulation – Amnesty/Offshore investing
- Transparency initiatives - CRS/FATCA
- Client expectations – Demands for anonymity/protection
- Competition – wealth management provider marketplace
- Technology
- Movement of assets into the US



The Dominion EU Retirement Plan

Background

- Retirement Savings Plan established in Malta 2011 and registered with the Malta Financial Services Authority
- Plan is open to US tax payers both Resident & Non Resident including US Citizens, US green-card and treaty residents tax payers and Maltese Residents
- Plan is open to LatAm residents including US Citizens, US green card and treaty residents
- The Plan is structured as a Foreign Grantor Trust (FGT) with each member having a segregated Personal Account
- Complement to life insurance, annuities, trusts, and foreign corporate structures
- Pre-immigration tax planning strategy
- Fully transparent fee schedule for pension administration and trustee services – no commissions taken from any third party
- Plan meets the definition of “Pension Fund” and satisfies the “Qualified Person” test for the purposes of the US/Malta tax treaty
- Plan meets requirements for and satisfies the “Qualified Person” test for the purposes of tax treaty (Mexico/Uruguay)

The Dominion EU Retirement Plan

Funding

- No limit on contributions - funded out of post tax discretionary income (contributions represent taxed basis).
- No tax relief for contribution— can be funded in addition to US qualified pension plans
- Individual Plan - Funding not linked to employment but is related to lifetime earnings
- Contributions can be made in cash and/or in-specie existing investments
- Acceptable US and foreign assets include:
 - Investments with unrealized gain
 - Private Equity & Hedge Funds
 - Portfolios of stocks and securities
 - Portfolios of Funds including PFIC's*
 - Single company stock
 - Commercial property/ investment real estate



*Existing PFIC's can be contributed in-specie prior to becoming a US tax payer

The Dominion EU Retirement Plan

Management of Assets

- Trustee/Administrator responsible for day to day management off assets
- Self directed Plan – Individual Member Account
 - Member can make investment directions to Trustee/Administrator how assets are invested, plus
 - Member can appoint multiple Discretionary Asset Managers
- Open architecture - No investment restrictions (apart from member connected transaction rules)
- Diversification required at individual Member Account level - can hold just 1 investment
- Assets can be managed via a platform/custodial arrangement – valuations typically in US, Sterling Euros. Assets can be held in local currencies (Pesos, Soles, Reais)
- Member can choose any bank/custodian and qualified DFM in any jurisdiction - assets do **not** have to be held in Malta

The Dominion EU Retirement Plan

Summary of Plan features & benefits – Distributions

- Full flexibility regarding timing and structure of benefits – may commence from age 50-75
- Crystallize tax deferral into absolute tax benefit - Lump sum and death benefits taken against untaxed income and gains in The Plan
- 30% of total fund may be paid as a tax free lump sum when benefits commence - (US residents only)
- Remaining 70% used to provide pension –pro rata return of entire original investment (basis)
- Death benefits – remaining value of plan on death can be:
 - Distributed to spouse/beneficiaries – may be tax free
 - Used to provide spouse/beneficiaries with pension benefits
- Neutral for estate tax - includable in taxable estate



The Dominion EU Retirement (US Qualified) Plan

Summary of Plan features & benefits – US Tax Profile

- Under US Malta tax treaty - Deferral of all portfolio income & gains until distribution of retirement benefits to member
- No US withholding taxes on dividends paid by US companies
- Neutral for US estate tax
- A transparent, compliant, fully advised, Retirement Savings Plan for US Resident & US Non resident tax payers
- Plan is a foreign grantor trust (FGT) and transfer of appreciated property does not result in a taxable event.
- Operated and undertaken full IRS reporting of US (Qualified) Malta Pension Plan since 2011
- Member US tax filing requirements - trustee provides information to member/tax preparer
 - 3520
 - 8938 - Statement of Specified Foreign Financial Assets
 - FBAR - (Report of Foreign Bank & Financial Accounts)



The Dominion EU Retirement (US Qualified) Plan

Example – US Tax Payer

- Roberto (age 45) lives in Miami and is a Mexican citizen /US permanent resident (“green-card” holder). He owns shares in a new technology company based in California. The company will go public (IPO) and he believes that his shares will be worth \$10 million.
- Maintaining the US green-card is desired however the potential US tax costs (20% - \$2 million) on the sale has Roberto contemplating terminating his green-card status. Returning to Mexico will not result in a tax savings as the Mexican tax on capital gains is higher than the US rate of 20% (current law).
- Alternatively Roberto can contribute all or a portion of the shares to the Malta US IPP. The transfer of shares to the trust and the eventual sale of the shares will not be subject to US federal tax.
- Also should he relocate to Mexico and keep his green-card, the transfer of the shares to the US IPP and the eventual sale of the shares will not be subject to Mexican or US federal income tax.



The Dominion EU Retirement (US Qualified) Plan

Example - continued

- After maintaining the gross proceeds from the initial sale in the Malta US IPP for 10 years, the portfolio grows to \$16,840,128 at which point Roberto aged 55 decides to take retirement benefits from The Plan. The pension fund is made up of
 - \$10,000,000 initial sales proceeds
 - \$6,840,128 untaxed portfolio performance realized from the date of funding the Plan.
- Roberto can take **30%** of the value of his fund (\$5,052,038) as a tax-exempt lump sum distribution. Balance of pension fund (\$11,788,090) can then be paid as a series of periodic distributions (in accordance with IRS Table V)
- Roberto can claim treaty protected position on all subsequent growth under Article 18 of the US – Malta Treaty and under Mexican tax rules.
- Roberto makes treaty based return position disclosure so that lump sum distribution is free from US federal tax under Article 17(1)(b) to the treaty.



The Dominion EU Retirement (US Qualified) Plan

Example - continued

US IPP V Taxable Investment Account				
In specie stock/Security contribution	10,000,000			
Federal Tax 20%	(2,000,000)			
State Tax	0%			
Total Tax Liabilities	(2,000,000)			
Net Amount Received	8,000,000			
		AGE 50 5 YEAR TERM	AGE YEAR 10 YEAR TERM	AGE 65 20 YEAR TERM
Balance of US IPP		12,976,952	16,840,128	28,358,993
Balance in Taxable Portfolio (Net of Tax)		9,494,470	11,268,110	15,871,314
Additional Funds (US IPP V Portfolio)		3,482,482	5,572,009	12,487,679
Tax free Lump Sum (US Residents only)		3,893,086	5,052,038	8,507,698
Pension Fund available to provide Retirement income		9,083,866	11,788,090	19,831,295

- Investment Return 7.5% PA
- DFM & Custody Fees 0.75%
- Trustee Fee 1%

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