

International planning in the age of compliance

by Duane Crithfield, First Fidelity Trust Ltd

Most wealthy families have a certain dichotomy in their thinking about offshore planning. Because the offshore business has a reputation for tax evasion and money laundering, wealthy families and their advisors sometimes harbor very real fears that they are about to step over the precipice of common sense when they seriously consider offshore planning. On the other hand, it is also true that most wealthy families consider offshore structures to be a very valuable part of their overall financial planning.

Concerns are especially relevant to US taxpayers who are seeking legitimate asset protection and tax savings while subject to a very aggressive Internal Revenue Service that does not hesitate to levy substantial fines and penalties or even incarceration on both the guilty and the uninformed.

In that environment, First Fidelity Trust Ltd (Nevis) and Fidelity Insurance Company, Ltd (Anguilla) have established a reputation as one of the premier US compliant offshore service providers, utilised by literally hundreds of law firms, CPA's and world-wide money managers.

Our firms have designed and administered offshore structures for clients in more than 30 states and multiple countries. Our clients include families with assets in excess of £100m as well as up-and-coming entrepreneurs and professionals.

IRS and US treasury Department considerations

While the majority of our clients are US taxpayers, we do have expertise in dealing with citizens in most jurisdictions. Our position in all cases is clear: we violate the tax laws of no country. With respect to our US taxpayers, all are aware that they are subject to normal federal income tax on

worldwide income. All compliant offshore strategies involve regular filings with the IRS or US treasury department.

Our firm's expertise results from our knowledge of US tax laws and US compliance procedures for offshore structures and our ability to provide long-term administration of complex foreign strategies. For those ex-patriots who question the compliance of their current offshore structures we have experts to assist you in a restructuring program.

Asset protection - the asset protection trust

From an asset protection standpoint, no instrument has stood the test of time and litigation more effectively than the International Asset Protection Trust (APT). With a choice of any jurisdiction worldwide, we have based our operations and our clients in Nevis, which has proven a trustworthy jurisdiction and one, which has not entered into any mutual legal assistance treaties that would render judgments enforceable. Since 1994, Nevis' Trust legislation has been considered by most knowledgeable attorneys to be the most beneficial of any jurisdiction.

Since an enforceable Nevis trust calls for a Nevis-based trust company, the combination of effective legislation and an effective trust company operation, has permitted First Fidelity Trust Company to prosper under the direction of Managing Director Keithley F T Lake, a respected barrister and solicitor. Detailed information is available on our website at www.FirstFidelityTrust.com

Income tax reduction

Because US taxpayers are taxed on worldwide income, there are very few opportunities to reduce taxes using offshore structures. The most effective and widely used method involves insurance structures as outlined in sections 72 and

7702 of the US tax code. When foreign insurance structures are designed to be compliant with US tax laws, they get very favourable tax treatment. Our insurance operation, Fidelity Insurance Company, Ltd is now one of the largest issuer of these US compliant insurance structures outside the United States. As a result of this very favorable tax treatment, most of our clients enjoy tax-free growth of their stock portfolios held in their variable insurance policy rather than held in their own names.

Income tax deductions

One of the most effective strategies business owners and professionals have used to bring about large-scale tax deductions has been the use of various offshore captive insurance scenarios. Conceptually, corporations (including most of the Fortune 500 companies) own offshore captive insurance companies that allow them to take significant tax deductions to provide insurance coverage. They are essentially self-insuring. When claims are less than the premiums paid, the unused premiums are retained as offshore profits.

Under the direction of respected insurance executive Duane J Crithfield, Fidelity Insurance Company Ltd stands alone in the development of unique coverages and captive insurance alternatives that are applicable to a broad range of clients, from physicians to manufacturers, and from developers to entrepreneurs. Detailed information is available on our website at www.FidInsCo.com

Summary

Every client's situation is complex. Our staff of experienced attorneys, CPA's and planners, comprised of true specialists, is ready to assist you in the development and maintenance of your offshore structures. We encourage you to explore the world of compliant offshore structures with us. ■