

UNIT TRUSTS

Case Study: An Argentinian Family Establishes a Turks and Caicos Islands' Unit Trust for Collective Investments

CLIENT BACKGROUND

The Rodriguez family, based in Argentina, has amassed significant wealth through decades of entrepreneurial success. The patriarch, Carlos Rodriguez, wishes to establish a collective investment structure that allows his three children (Child A, Child B, and Child C) to benefit from professional investment management while maintaining clear delineations of ownership and liability.

Carlos's primary goals are:

- **Centralize Investments:** Consolidate the family's wealth to take advantage of economies of scale and access exclusive investment opportunities, such as private equity.
- **Streamline Governance:** Introduce a clear family governance framework to facilitate decision-making and avoid disputes.
- **Protect Individual Contributions:** Ensure that each child's trust is only liable for its respective contributions.
- **Professional Oversight:** Employ professional advisors to manage investments and provide transparent reporting.
- **Succession Planning:** Establish a structure that facilitates wealth transfer without probate delays.

THE PROPOSED SOLUTION: A TCI UNIT TRUST STRUCTURE

The family establishes a **Unit Trust** in the Turks and Caicos Islands (TCI), a British Overseas Territory, serving as the **Family Investment Holding Vehicle**

The structure operates as follows:

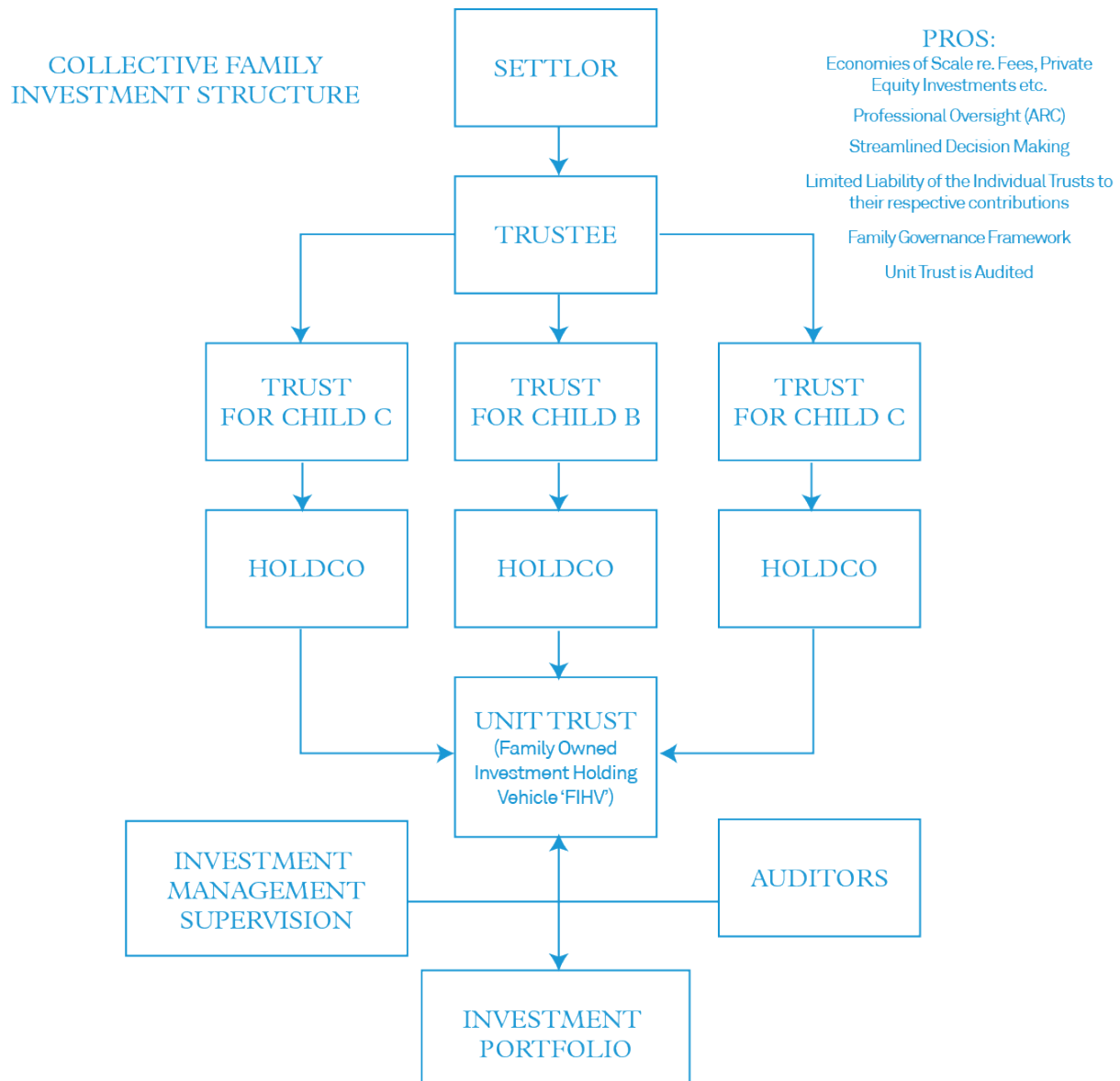
1. **Individual Child Trusts:**
 - Carlos sets up three irrevocable discretionary trusts: **Trust for Child A**, **Trust for Child B**, and **Trust for Child C**.
 - Each trust holds units in the **Unit Trust**, through its individual **HoldCo**, proportionate to the child's share of the family's wealth.
2. **Unit Trust:**
 - The Unit Trust consolidates the investments of the family, acting as a central holding vehicle for the family's collective portfolio.
 - The Unit Trust is audited annually, ensuring accountability and transparency for all beneficiaries.

3. Professional Oversight:

- Trustees appoint Asset Risk Consultants (ARC) or a similar organisation (at the Settlor's preference) to oversee investment management, ensuring adherence to predefined benchmarks and risk profiles.
- External Auditors provide independent verification of the Unit Trust's financial activities.

4. Family Governance Framework:

- The structure incorporates a family governance framework to establish clear rules for decision-making, ensuring all family members are aligned with the investment strategy, which should include at least one in-person meeting a year.



KEY BENEFITS OF THE TCI UNIT TRUST STRUCTURE

1. **Centralized Investment Management:**

- The Unit Trust consolidates the family's wealth, enabling access to exclusive investment opportunities, such as private equity funds and institutional-grade private assets, often unavailable to smaller investors.
- By pooling resources, the family benefits from economies of scale in management and operational fees.

2. **Professional Oversight:**

- The involvement of professional investment advisors (e.g., ARC) ensures that the portfolio is managed according to established benchmarks and risk parameters.
- Annual audits enhance transparency and ensure trust among family members.

3. **Streamlined Decision-Making:**

- The family governance framework ensures clarity in decision-making processes and creates an investment, philanthropic and distribution consistency and culture, reducing potential disputes among family members.
- The centralized nature of the Unit Trust facilitates efficient investment decisions without duplicative efforts across individual trusts.

4. **Limited Liability:**

- Each child's trust is only liable for its respective contributions to the Unit Trust, ensuring that risks associated with one trust do not affect the others.

5. **Asset Protection:**

- Settling the structure in the TCI provides robust legal protection from external claims, creditors, or political risks in Argentina, as the assets would be invested in Europe, the USA and Asia (etc) through TCI entities, safe from those who might want to pursue claims against the Settlor .
- The trust shields the family's wealth from economic and legal uncertainties in Argentina.

6. **Tax Efficiency:**

- The TCI offers a tax-neutral jurisdiction with no income tax, capital gains tax, or estate tax, ensuring maximum preservation of the family's wealth.
- The structure facilitates compliance with international reporting obligations while minimizing exposure to local taxes.

7. **Succession Planning:**

- Ownership through the Unit Trust ensures seamless intergenerational wealth transfer without the need for probate.
- The discretionary trusts allow flexibility to address future changes in family dynamics, and the Settlor can have ongoing influence after he or she passes through a letter of wishes .

8. Transparency and Accountability:

- Annual audits and professional supervision ensure the Unit Trust operates with integrity, fostering trust among family members.
- Clear reporting frameworks provide visibility into the performance of the family's investments and a comparative benchmarking against families with similar portfolios and risk appetites through ARC's vast database of portfolio performance.

IN SUMMARY

By establishing a Unit Trust structure in the Turks and Caicos Islands, the Rodriguez family achieves centralized wealth management, professional oversight, and robust asset protection. The structure's ability to consolidate investments provides access to exclusive opportunities and reduces operational inefficiencies, while the TCI's legal framework safeguards the family's assets and ensures tax neutrality.

The structure's governance framework and professional management ensure alignment with the family's long-term objectives, fostering harmony and transparency among beneficiaries. With the added benefit of clear succession planning, Carlos Rodriguez secures his legacy while providing a robust platform for future growth and intergenerational wealth preservation.

This TCI Unit Trust structure offers a comprehensive, efficient solution for managing and protecting family wealth in a dynamic global environment.

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