

My Family

UBS Wealth Planning



What is the first thing that comes to your mind when you hear the word “family”? Whether real or not, for the most nostalgic ones among us it would probably be a picture of children, parents, and grandparents, warmly gathered around a fireplace on a cold winter weekend, chatting, and laughing, without a care in the world.

Yet, the traditional “nuclear family” has for decades now been giving way to a variety of family structures. Indeed, modern families are often blended, with members and assets spread out over the globe. Life expectancy has also increased, meaning family members live longer and therefore need to be adequately prepared for a comfortable retirement. As Barack Obama said: “We are living in a complex world and at a challenging time.” And families are just as affected.

Although we do not provide tax or legal advice, our aim in this document is to help you identify the most important issues and raise the most important questions that are relevant to you. We strongly recommend you then discuss these with your external tax and legal advisors, taking account of your personal circumstances.

Planning ahead

So, how can you make these times a bit less challenging for you and your loved ones? Whatever your situation, it is good to start planning early if you want to ensure the family is well taken care of during your lifetime, as well as beyond.

The first step would be to set clear goals and objectives, based on your family’s values and priorities, and ideally agreed upon by all family members. It should then be easier to define the direction of travel in the years to come, while you and your loved ones are all still together. This part of planning could cover business continuity, if you own a family business, protection of your family assets and wealth, and envisaging your retirement. All these aspects will strongly affect the wider family.

Times of crises, like the recent pandemic, have also brought home the importance of being prepared for the unexpected. Planning does not have to be complex, but it should adequately reflect your family’s needs and values. Depending on your family situation, views, and wishes, as well as on the applicable rules and laws in the jurisdictions involved, a variety of planning techniques are available that may solve any potential issues when you are no longer around. These may include creating a Will to clearly define who is entitled to what after your death, contracting a life insurance policy to protect your family members’ lifestyle, or setting up a trust to ensure that a child with special needs will continue to receive all the necessary support.

And it would certainly not be a waste of time to give some thought as to who could take the (temporary) lead in case of a disruptive event, such as a loss of capacity or severe illness of the *mater* or *pater familias*. There are tools, for example like an advance healthcare directive, a living Will, or even a simple power of attorney that can ensure a smoother transition by giving clear instructions on how you wish your business or other matters to be handled, and by whom. Provided, of course, that your family is aware of these provisions and knows where to find them.

Next generation

With great wealth comes great responsibility, and while there is no defined age at which you should involve your children in the activities of your family enterprise, it is important to prepare them early enough for their roles and responsibilities.

A family enterprise encompasses all aspects of a family, including financial assets, collections, philanthropy and impact activities, operating and non-core businesses, and real estate. So, there can be many ways to prepare and involve the next generation, ranging from informal conversations to formal education or a defined role within part of the family business.

Thinking about defining your family strategy and putting things on paper in a family constitution is a good place to start. Although not legally binding, this document incorporates a set of rules and guidelines, providing a framework for the long-term success and sustainability of the family enterprise. It supports the governance structure of the family, the roles and responsibilities of each member, decision-making and conflict-resolution processes, as well as the management of the family's assets and businesses. In the end, it can help implement structures and activities to protect and ensure succession of assets, as well as preparing the next generation.

Family wealth: ownership and management

We have all seen how easily and how often disputes can emerge and families can fall apart due to disputes over assets, joint or dubious ownership, or conflicting opinions over how they should be managed.

A first crucial step toward achieving family harmony is to clearly define the family's wealth and consider how the assets should best be owned. It might be that assets could be owned directly or perhaps through a trust, a private label fund or through another holding or private investment entity.

Then, it is important to think about how you wish to manage these assets. In complex situations, wealthy families often opt to set up a family office, employing specialists to manage and cover all aspects of the family's needs: wealth management services, financial planning, risk management, estate and tax

planning, and philanthropic planning, to name a few. Family offices can be established as single-family offices or as multi-family offices, depending on the size and complexity of the family, its wealth, and its assets. Legal, tax, and regulatory considerations, as well as proximity to family members and assets, the availability of infrastructure, and the accessibility of high-quality professionals will also define the family office's form and location. If set up properly, it can support not only inter-generational wealth management, but also preparation of the next generation, wealth regeneration, and overall family dynamics.

How UBS can help

True long-term success can be achieved through our full My Life offering:

1. **My Family**, the best way to ensure the people closest to you are well off
2. **My Protection**, security from multiple risk factors and disruptive events
3. **My Company**, a proven strategy to ensure business success
4. **My Taxes**, factoring the tax aspects in your decisions
5. **My Retirement**, this well-earned time deserves the best planning
6. **My Succession**, setting the path for your assets and values beyond your lifetime



There may be several options available to you. At UBS Wealth Planning, we can discuss these to identify your specific circumstances and personal preferences that you can then follow up with your own tax or legal advisor. Please note that UBS does not provide legal or tax advice.

For further information, please contact your UBS Client Advisor, who will be happy to put you in touch with our specialists in UBS Wealth Planning.

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Certain Canadian Federal Income Tax Considerations:

This summary is based on the provisions of the Income Tax Act (Canada) (the “Tax Act”) and its regulations which are in force or have effect as of the date hereof. UBS assumes no liability to update or revise the below summary, and it should not be relied upon by investors to make investment decisions. The below summary of certain Canadian federal income tax considerations is limited to a nonexhaustive set of tax rules that could result in a tax liability to an investor that is resident of Canada for purposes of the Tax Act and that is investing in securities of a “non-resident” (as defined in the Tax Act) issuer even if the investor does not earn or receive any amounts from such investment.

The Tax Act includes rules (the “Offshore Investment Rules”) that may require an amount to be included in the income of an investor that holds an “offshore investment fund property”. The Offshore Investment Rules may apply where (i) an offshore investment fund property derives its value primarily from “portfolio investments” in certain assets, and (ii) it may reasonably be concluded that one of the main reasons for the investment is to derive a benefit from portfolio investments in these assets in such a manner that taxes on the income, profits and gains from the assets are significantly less than the tax applicable under the Tax Act if such income, profits and gains had been earned directly by the investor.

If the Offshore Investment Rules apply, the investor will have an income inclusion in respect of each month equal to the “designated cost” of the property to the investor that is subject to the rules at the end of the month multiplied by 1/12th of the sum of a prescribed rate of interest plus 2 %. The prescribed rate of interest is linked to the yield on 90-day Government of Canada Treasury Bills and is adjusted quarterly. The income inclusion will be reduced by the investor's income for the year (other than capital gains) from the offshore investment fund property determined under the other provisions of the Tax Act. Accordingly, if the Offshore Investment Rules apply to an investor, the investor may be required to include in taxable income amounts that the investor has not earned or received. These rules are complex and their application depends, to a large extent, on the reasons of an investor for acquiring or holding the investment. The foregoing summary provides a general description of the Offshore Investment Rules, and should not be construed as advice to any particular investor regarding the implications of the Offshore Investment Rules in the investor's particular circumstances. Investors are urged to consult their own tax advisors regarding the application and impact of the Offshore Investment Rules in their particular circumstances.

The rules in respect of non-resident trusts will not apply in respect of “exempt foreign trusts” (as defined in the Tax Act), which would, subject to detailed provisions, generally include commercial trusts. Where, however, a non-resident trust is an exempt foreign trust because it is a commercial trust, an investor (x) that holds, either alone or together with (i) any persons not dealing at arm's length with the investor or (ii) any persons who acquired their interest in the trust in exchange for consideration given to the trust by the investor, at least a 10% interest (as defined and determined based on fair market value) in such trust, or (y) that has contributed “restricted property” (as defined in the Tax Act) to such trust, will be required to include in income a percentage of that trust's “foreign accrual property income” (as defined in the Tax Act). Other investors in a commercial trust may be subject to the Offshore Investment Rules discussed above. Investors should consult their own tax advisors in this regard.

If the total “equity percentage” (as defined in the Tax Act) of a Canadian investor (and related persons) is 10% or more in a particular non-resident corporation, the investor may be subject to the rules in the Tax Act which (i) require the inclusion of a percentage of the foreign accrual property income of the corporation in computing the income of the investor, rather than the application of the Offshore Investment Rules, and (ii) could result in withholding tax being due by an investor that is a corporation resident in Canada for purposes of the Tax Act. Investors should consult their own tax advisors in this regard.

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UBS Switzerland AG

P.O. Box
8098 Zurich

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