My Protection

UBS Wealth Planning

Remember how you felt when in March 2020 the whole world suddenly went into lockdown? Or when the news broke about the invasion of Ukraine? When your business activity was so severely affected by the supply chain delays that you could not tell whether it would survive another month?

Following a decade of relatively positive markets, investors around the world are now reassessing their strategies following geopolitical tensions, surging inflation, and concerns about valuations across asset classes. The savviest investors will not limit themselves to diversifying strategies for the different asset classes they are invested in but will also consider further strategies to protect their assets as a whole.

That is because every investor's assets are not only exposed to market fluctuations, but to a whole host of other risks that can cause major headaches or even lead to substantial losses. So, what are these risks and how can we help to better manage them?

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.

Family
It is often said that wealth does not survive over three generations. The expression is more likely to hold true if the family has no strategy in place. Many of the adverse events that can happen to any family can be well contained if potential contingencies are properly planned for. Family disputes, divorce, distributions among (unwanted) heirs, or even loss of capacity of the wealth owner can lead to significant losses, making it very difficult to remain successful and wealthy over several generations. A clear family strategy and governance reflected in a family constitution can help mitigate some of these risks. Proper structuring of your asset holdings and regular reviews are key to adapting to changing family circumstances and to staying agile in the face of external factors, such as changes in the law. And don't forget the tools available to protect yourself and your family in case of temporary or permanent incapacity. An advance healthcare directive, a specific power of attorney, or a living Will can prevent disruption and ensure a smooth transition when needed.

Global mobility
Many families have become truly global, with members spread across the world. Proper family governance will facilitate continued communication between members in different geographies. However, taxes are a potentially more costly consequence of enlarging your family's global footprint. Any family member could create an undesirable tax footprint in certain jurisdictions, and you should be aware of the implications for yourself, your family, and business.

Entrepreneurs
It may come as a surprise, but still too often the sudden passing of well-established and wealthy business owners reveals succession planning is something they tend to procrastinate on. It leaves business partners and family members with a myriad of questions and problems to solve, while proper planning could have saved a lot of time, effort, and money.

But entrepreneurs are not only facing questions around business governance including aspects such as succession, ownership, and control. Much of their wealth is typically tied up in their business. This concentration can generate significant returns, but also has many drawbacks. However skillfully you manage your company, developments beyond your control such as geopolitical, economic, social, or technological risks can disrupt your business.

Furthermore, with most of their wealth tied up in their business, entrepreneurs and their families are sometimes hindered in terms of (short-term) liquidity needs. Some entrepreneurs therefore would want to look at liquidity or option strategies to minimize risk. Diversification can make entrepreneurs more resilient across the business cycle.

So, it is important to ensure your wealth is structured so that you can not only protect your family from adverse market conditions, but also from other external factors that may present a risk to your business' and family's wellbeing. It is not only prudent, but also advisable to spend some time reflecting on how to best structure your business and personal assets, to clearly segregate the two. There are many instruments that can provide the sense of safety and protection you are looking for at different levels: family harmony, no surprise liabilities, and keeping your wealth segregated and intact. Depending on the country you and your family live in, you may want to check whether common solutions like life insurance policies, trusts, or other asset-owning structures can work for you efficiently.

Investments
Current economic and financial market uncertainty may make you more worried about their next steps. In fact, a UBS Investor Watch survey in August 2022 found that 37% of investors were highly concerned about the value of the assets they'd pass on to future generations. They may be even concerned about outliving their savings, not only leaving nothing for future generations but also jeopardizing their own quality of life. A regular review of your assets, income streams, and spending will help you in creating short-, medium- and long-term strategies to ensure you can focus on your personal and family priorities.
To manage an investment portfolio optimally, investors are reminded to not put all their eggs in the same basket and diversify across asset classes, sectors, geographies, and so on. A full review on a regular basis, whether triggered by any market events or not, remains of the utmost importance to maximize the investments.

Beyond the portfolio itself, structural diversification is another point that should not be overlooked. Investors may hold their assets in different jurisdictions as part of a wider planning process to mitigate risks and access opportunities around the world. This is a natural consequence of families becoming more globally spread out.

How UBS can help
Death and taxes are certainties in life, and strangely also the easiest to plan for. Nevertheless, there are many other uncertainties that can seriously affect an investor's wealth during their lifetime. 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

Several options may be 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 at UBS Wealth Planning.

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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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