HSBC Private Banking

Video transcript

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Planning for your future: diversifying tax risk, protecting your wealth

Karina Challons: My name is Karina Challons, I'm a Managing Director for the Private Bank working in the Wealth Planning team covering the Ultra High Net Worth clients.

Paul Bradshaw: My name is Paul Bradshaw, I'm a Director of the UK Wealth Planning team looking after international clients.

Paul: So, diversifying tax risk – why would you diversify?

Karina: Well just as you have different investments – you diversify your investments for risk purposes, you buy different investment classes, different types of investment – you should also diversify your holding structures. It does depend on your choice of investment – that will dictate the type of holding structures you look at. For instance, investment properties you would have in certain types of structures.

Paul: What are the disadvantages of diversifying your tax risk?

Karina: You add costs and complexities, potentially. So, this is why it's very important, just as your investments, you're looking at the costs of those, etc., you need to look at the holding structures. In some cases, if the sums aren't substantial, there's no need to diversify, but for many people they do need to diversify, and they just have to assess the costs involved.

Karina: Do you see many complex structures today?

Paul: Less and less so. So, ten years ago we would often see clients with complex structures some of which might be slightly aggressive from a planning perspective. But nowadays our clients want transparency and simplicity.

Karina: Do structures need to be reviewed?

Paul: Yes absolutely. We may have an election, a change in government, or even just a change in legislation but obviously as family circumstances change, we need to make sure that the structures that have put in place in the past remain valid for the future needs.

Paul: What is the impact of moving overseas on structures?

Karina: When you establish structures in one country, it may be very effective from that jurisdiction's point of view but if you move jurisdiction, you have to ensure that those structures are as effective and often you find you have to change them. For

instance, a client who is UK resident non-domiciled in the UK setting up a trust, which is effective from a UK point of view, if they, say, moved to the US, it would not be. So, it is vital, if you are thinking of moving overseas, that you review the structures you have before doing so.

If you'd like more information about diversifying your tax risk, speak to your Relationship Manager.