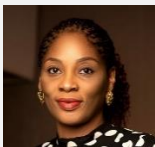




16 December 2024

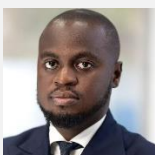
Key contacts



Funmi Iyayi
Partner,
Corporate & Commercial
funmi.iyayi@
templars-law.com



Matilda Sarpong
Associate,
Corporate & Commercial
matilda.sarpong@
templars-law.com



Oliver Fobi
Trainee Associate,
Corporate & Commercial
oliver.fobi@
templars-law.com

TEMPLARS ThoughtLab

Securing the Future: Trust as a Strategic Tool for Wealth Management

For wealthy individuals and families in Ghana, managing their assets often extends beyond national borders, resulting in a diverse portfolio that spans multiple jurisdictions. In this complex landscape, the need for a strategic tool for effective wealth management, such as a Trust, becomes increasingly important. Trusts enable individuals and families to organize the transfer of wealth across generations while ensuring that their diverse assets are protected and distributed according to their intentions. This arrangement not only safeguards family wealth but also simplifies the administration of cross-border interests, making Trusts an invaluable resource for high-net-worth individuals (HNWI's) looking to secure their financial legacy.

What is Trust?

A Trust is a legal arrangement in which one party, known as a **Settlor/Trustor**, transfers his/her legal ownership in an asset to another party, known as a **Trustee**, to hold and manage the asset for the benefit of an identifiable **Beneficiary** or the Settlor. This structure allows for tailored control over asset distribution and offers a range of benefits that can enhance financial strategies. There are different types of Trusts, including Revocable Trust, Irrevocable Trust, Charitable Trust and Discretionary Trust. The type of Trust to be constituted will depend on the purpose for which it was created and the overall aim of the Settlor.



Trusts

can shield one's assets from creditors and legal claims, providing a safety net for individual/family wealth.

The Advantages of Trusts for HNWIs?

1. Asset Protection

Trusts can shield one's assets from creditors and legal claims, providing a safety net for individual/family wealth. Once the legal ownership of the asset is transferred to the Trustee, the Settlor ceases to own the asset. Thus, a creditor who may want to sue the Settlor to recover the asset in satisfaction of a debt owed may not be able to do so. This offers a layer of protection to the assets of the Settlor and prevents the asset from being dissipated through legal action. Similarly, where the assets of the Settlor are situated in a country with a high risk of expropriation, a Trust provides protection for these investments or assets.

2. Controlled Wealth Transfer

Trusts enable precise control over how, to whom and when assets are to be distributed to the Beneficiaries. The Settlor is afforded the opportunity to spell out the specific conditions under which the assets can be distributed to the Beneficiaries, such as the Beneficiary attaining a certain age or fulfilling a particular condition. This ensures that wealth is passed down according to the Settlor's wishes, minimizing potential disputes among heirs and preventing the assets of the Settlor from being mismanaged.

3. Tax Efficiency

Establishing a Trust can offer various tax advantages, such as reducing estate and gift taxes, especially where such a Trust is established in a country with favourable tax laws. This allows HNWIs to retain more of their wealth for future generations.

4. Philanthropic Opportunities

For individuals looking to make a difference, charitable trusts provide a means to support causes they care about while also enjoying tax benefits. These may include areas in education, entertainment, religion, sports, etc. This not only enhances the personal legacy of the Settlor but also contributes to the lives of persons and entities who may benefit from the Trust.

5. Flexibility and Diversification

Trusts can manage various assets, including cash, real estate, and other investments. This flexibility allows for a diversified portfolio that aligns with the long-term financial goals of HNWIs. By placing these assets under a Trust, the Settlor can ensure that his or her financial objectives are attained.

Practical Considerations for Establishing a Trust

1. Choosing the Right Type of Trust

Depending on the individual's objectives and the purpose for which the Trust was created, A Settlor can opt for a revocable trust, which allows the Settlor to make changes during his or her lifetime, or an irrevocable trust, which offers stronger asset protection but limits control. Alternatively, the Settlor can opt for a Charitable Trust, which allows the Trustee to distribute the assets to causes that interest the Settlor.



Important Duty

the Trustee is to ensure that the assets held under the Trust are not dissipated, it is essential that the Trustee chosen must be trustworthy and knowledgeable with the right experience in the management of the assets and the applicable laws in relation to the jurisdiction where the Trust is situated.

2. Selecting a Trustee

Considering that one important duty of the Trustee is to ensure that the assets held under the Trust are not dissipated, it is essential that the Trustee chosen must be trustworthy and knowledgeable with the right experience in the management of the assets and the applicable laws in relation to the jurisdiction where the Trust is situated. The Trustee must also be able to invest the assets held under the Trust to generate profit for the Beneficiary. It is similarly essential that the Trustee understands the intricacies of managing trust assets and can act in the best interests of the Beneficiaries.

3. Legal and Tax Implications

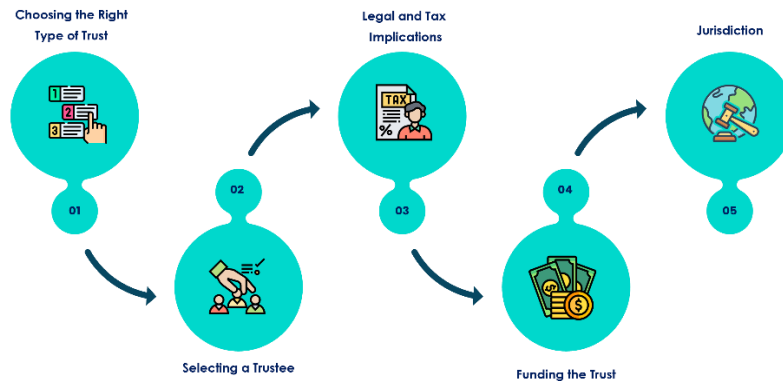
Consulting legal and financial experts is crucial to navigating the relevant regulatory environment in the jurisdiction in which the Trust is setup. They can provide guidance on compliance and help structure the Trust effectively to ensure it can take advantage of the relevant tax laws.

4. Funding the Trust

Consider which assets to include under the Trust, such as cash, properties, or business interests. Proper funding is vital to ensure that the Trust serves its intended purpose.

5. Jurisdiction

It is essential to consider where the Trust should be situated as some countries offer stronger legal protection and privacy for Trusts than others. This may be particularly important when maintaining confidentiality about the assets is crucial to the Settlor.



Conclusion

For HNWIs, Trusts provide a powerful tool for enhancing wealth management strategies, offering protection, flexibility, and efficient estate planning. By understanding the benefits and practicalities of establishing a Trust, they can make informed decisions that secure their financial legacy.

Contact us for a more in-depth discussion on how a Trust can be customized to meet specific needs. Developing a tailored strategy ensures that wealth not only thrives today but continues to benefit future generations.