

UHNWI are time-poor individuals who don't have time or mind-space to take care of all of their assets. They rely on a highly qualified group of professionals to manage this for them.

In this chapter we describe the role of family offices whose responsibility it is to manage superyachts. JTC offers their advice in this sector.

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Family Offices



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INTRODUCTION

This chapter focuses on single and multi-family offices, as there is a certain level of synergy across yacht ownership and yacht administration. Often HNWI have a single-family office or a multi-family office administering their assets, and it may well be the case that one of the assets is a superyacht.

Why do HNWI have family offices?

There are various reasons, but the most significant one is that when a certain amount of wealth is accumulated, the family or the individual need the help of highly skilled professionals to assist in the management of the assets. Every single asset is different; wealth can be composed of

financial assets, intellectual property rights, real estate properties, yachts, art, etc. For each of them, there is particular expertise needed for the maintenance, performance or transfer of the asset. This is where a family office comes to the force.

Services Provided by JTC Group

FUND SERVICES	CORPORATE SERVICES	PRIVATE WEALTH SERVICES
<ul style="list-style-type: none"> Real estate services Regulatory DD and applications Investor due diligence Real launch Real administration Real accounting Net asset value calculation Portfolio accounting Performance analysis Risk management and monitoring ESG and regulatory reporting Compliance monitoring and reporting Transfer agency services Investor reporting Tax compliance and reporting Listing services 3rd party management company services 	<ul style="list-style-type: none"> Company formation Registered office services Corporate and individual directors Company secretarial services Corporate administration Bookkeeping and accounts preparation Cash administration Treasury management Virtual CFO services Corporate financial solutions Lease services Shareholder reporting Custom financial modelling Tax compliance and reporting Corporate structuring for the subordination of assets and assets Payroll services International pension plan administration 	<ul style="list-style-type: none"> Entity formation Provision of trustees Director and company secretarial services Provision of foundation council members Entity administration Bookkeeping and accounts preparation Family office administration Treasury services Subsidiary reporting Real estate administration Private yacht and aircraft ownership and management

The private client services team provides for a diverse global client base through specialist regional teams, a comprehensive range of solutions from trust and estate planning to bespoke premium private office services. The private office also specialises in administering traditional and non-traditional assets and have extensive experience in cross-border planning.

The private clients range from entrepreneurial individuals through to large families who have earned their wealth through several generations. Often, the team is asked to help clients in the running of their businesses and can use our network, skills and experience to add value. This requires a blend of "corporate style" service, with

the defined focus and personal interaction that underpins the traditional private client relationships.

Individuals who wish to own high-value luxury and lifestyle assets may receive advice to establish a corporate structure to hold these assets.

In brief, a private office offers a holistic service built around the unique needs of the family.

Working in partnership as an extension of the family, it creates time by bringing simplicity, clarity and flexibility to the management of the financial and non-financial affairs.

“Our Family Office was basically running off a spreadsheet. We knew that we had to professionalise and properly separate our private and business affairs, but had been putting this off for a while as the task seemed too big. JTC private office managed the entire process for us, and we are very proud of the new set-up.

- JTC's client

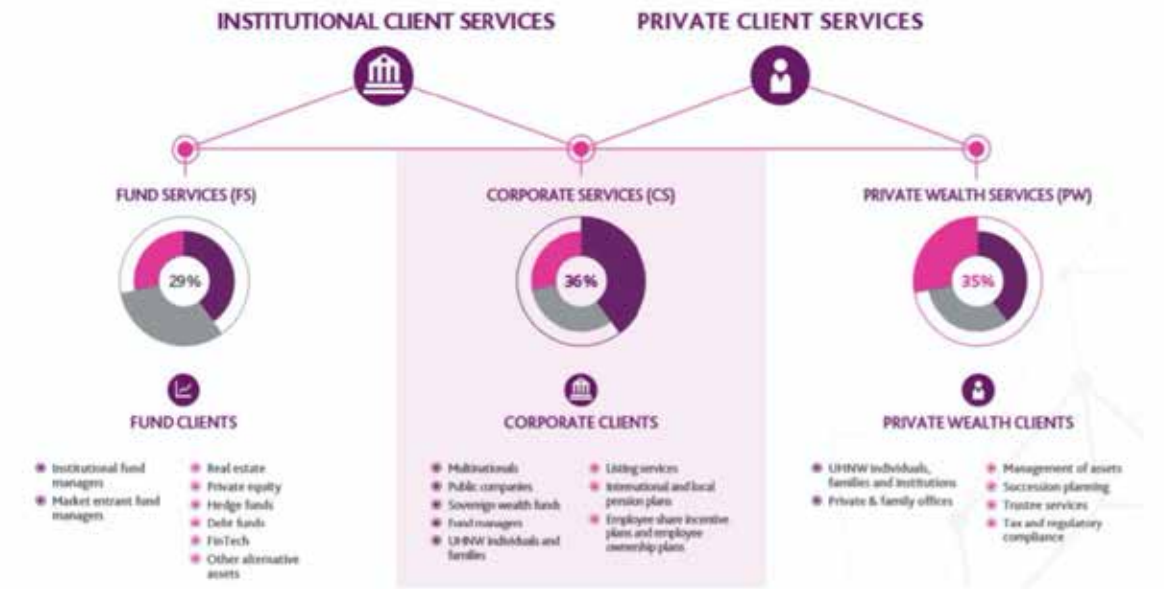
In practice, the dedicated contact works closely with the client to ensure a thorough understanding of the family's needs, goals and aspirations, not only with protecting and enhancing the wealth but also in managing the wider family's affairs. JTC is not involved in the actual investments, but hires and oversees banks for the investment activities, retains lawyers for legal advice, and addresses client requests.

The combination of its purpose-built technology and dedication to outstanding services minimises the complexity of the day to day life, leaving the family to enjoy that most precious of commodities; time.

Administrators manage clients' assets and financial vehicles on their behalf with everything from the fiduciary duty or prudently taking care of the wealth to fulfilling accounting compliance and other requirements. JTC does not get involved in the actual investments but hires and oversees banks for the investment activities, retains lawyers for legal advice and addresses clients' requests, including as one employee explained **“helping next generations understand the responsibility coming with the money and making sure they don't waste it”**.

Providing solutions as sophisticated or as simple as they need to be, family offices work with the client and the managers as “manager of manager” to protect and enhance the family wealth but also to take care of all those other necessities that consume so much of their time. Family offices also assist with non-financial matters of this nature, such as relocation, education and concierge services.

JTC PROVIDES 'FULL LIFE' SERVICES INCLUDING ACCOUNTING, REPORTING AND THE SET-UP, OPERATIONAL MANAGEMENT AND DISSOLUTION OF LEGAL ENTITIES



SINGLE FAMILY OFFICES

A Single Family Office (SFO) is a controlled legal entity which manages the assets of a family or an individual with the sole purpose of protecting and growing the overall wealth. This legal entity can be of different legal forms, depending on the jurisdiction concerned. The entity may also hold other legal entities for specific purposes. There is no single model of SFO – each is, by its nature, highly tailored to meet the family's needs.

History of SFOs

SFOs originated to manage the wealth of royal families in Europe, and the first SFO in the United States was registered in 1838 for J.P. Morgan. There has been an exponential growth of the SFO and MFO in the past 15 years as a result of the concentration of the assets in the hands of fewer individuals. It is estimated that there were 14 million HNWIs worldwide in 2019, and often they find the SFO a good solution for the management of their wealth.

Why establish a SFO?

Each family's circumstances are different but common themes include the organisation of wealth, clarity in succession planning, avoiding issues in the event of family conflict, the complexity of the management of certain assets, confidentiality, particular projects, higher profits, philanthropic endeavours and the separation of personal and business assets.

Location and form

When deciding on where to base the SFO, several factors are usually considered. These include the residence of the principal of the family, the allocation of the assets, the tax implications, legal considerations, the costs, the objectives and the safety, as well as the need to locate the SFO in a financial centre where the ecosystem efficiently supports their daily operations.

Expert advice should always be sought on jurisdiction and form.

Staff

The management of a SFO requires highly experienced personnel in various fields. These include strategy, marketing, risk, investments, finance and law, to name just a few. It's essential that the principal has confidence in the people who will conduct the operations and that the interests of the staff are aligned with his or hers. A SFO can have numbers of staff that vary from 1 to 50 employees or more. The most common profiles hired are CEO, CFO, CIO, COO, investment analysts, information technology specialists, lawyers and accountants.

With the SFO, all of these people are within the reach of the principal(s). There are of course also many services which are often managed by the SFO but outsourced.



Services

Services provided by the SFO are wide-ranging depending on needs, aspirations and visions. Often the core business activity of a SFO will include investments, but a family office can provide a wide array of other services such as:

Financial planning

- » Risk analysis
- » Performance review

Strategy

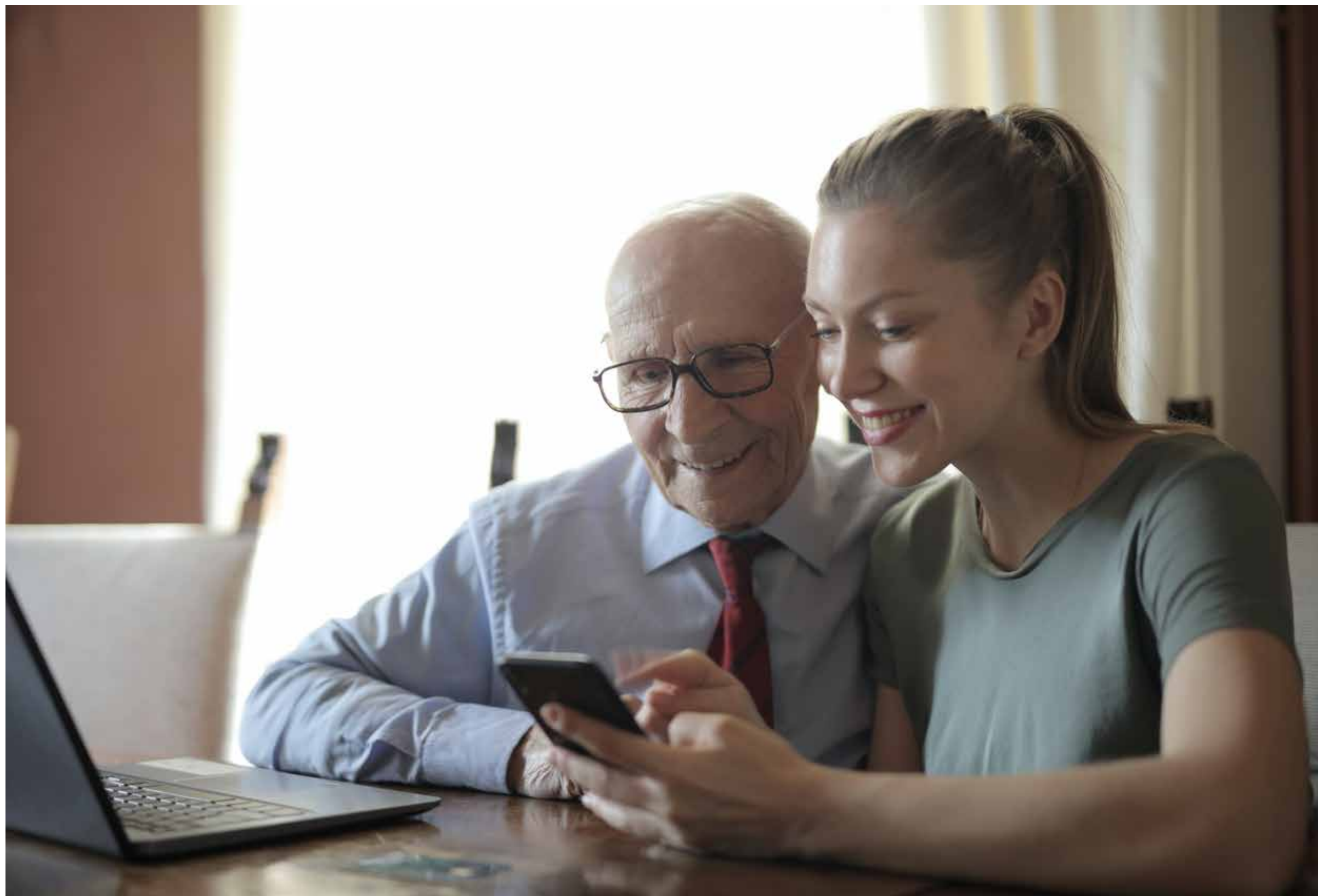
- » Formalisation of family vision and mission
- » Determining if FO is a cost or profit entity
- » Business development
- » Project management
- » Market intelligence
- » M&A
- » Reputation management strategy
- » Web visibility and social media strategy
- » Insurance assessment

Wealth Planning

- » Next generation wealth transfer
- » Family governance
- » Wealth protection
- » Assets evaluation

Legal tax

- » Legal advisory
- » Tax advisory



Philanthropic management

- » Donation strategy
- » Trusts or Foundations formation

Life management

- » Immigration & citizenships
- » Heirs education
- » Properties, memberships, holiday
- » Physical security of the family
- » Fleet management (cars, planes boats, etc.)

Record keeping and recording

- » Consolidation reporting
- » Performance reporting
- » Tax preparation and filing
- » Coordination with tax authorities

Administration

- » Human resources management
- » Manager selection
- » Accounting
- » Audit
- » Bills payments
- » Costs review
- » Bank accounts opening
- » Translations

Tech

- » Edge (please refer to the Technology section)
- » Data security and risk assessment

Minimum AUM for a SFO

There is no minimum, but certainly the creation and maintenance of an SFO must make financial sense. For many, having a SFO is a lifestyle choice.

Costs

This varies hugely depending on the size and remit of the SFO. Often the most significant costs will be rent for the office space and the staff. Along with these, there are costs for the creation of the SFO, for consultants, for business travel, for software and licenses. It has been cited that the costs can roughly equate to 0.8%-2% of AUM. For some, this is well worth the money. Other clients may prefer an option such as JTC's Private Office, which can offer flexible services that are required at a lower cost.

Technology

With technology advancing at an incredible speed, transforming all businesses of the world, family offices have to keep pace, and they can benefit from technological advancement to bring value and enhance their services. Robotics, process automation, cloud computing, cognitive technologies and apps could significantly improve the way family offices do business, and they will involve initial costs. An important function for family offices is the consolidation of data. For this reason, at JTC Group we have invested in our own software, Edge. Edge is a secure, integrated technology platform that gives clients peace of mind that during their lifetime, or after their death, their finances and affairs will all be organised. JTC's goal is to simplify the lives of our clients, with often complex interests in different locations around the world, and to save them their most valuable asset, their time.



MULTI-FAMILY OFFICES (Monaco)

A Multi Family Office (MFO) can be compared to a conductor, able to coordinate and manage several professionals in-house and outside the organisation. It becomes the only point of contact for the client or the family. The right question to ask when trying to understand what you can do with an MFO is: What can't you do with an MFO?

An additional interesting point about an MFO is the fact that it can be owned partially by a foreign international organisation and, therefore, enter in the bigger picture of a group expansion strategy. Coordination with other international offices can easily be performed.

Single Family Offices (SFO) vs Multi Family Offices (MFO)

It's estimated that only those with fortunes in excess of 100 million euros can create an SFO. However, there is a segment of individuals with assets of 20 to 100 million euros who have less interest in creating their own SFO but are seeking a bespoke service. An MFO would be a solution for them, with a holistic approach to their legal, tax, business and financial issues.

Services

In brief, the services provided by an MFO can be the same as those offered by an SFO. The MFO can be a lower cost option because the clients of the MFO can share the resources. Another difference is that an SFO does not bill because the services are rendered to the principal, whereas the MFO has external clients to be billed.

As a curiosity, Zurich seems to be the city in the world with the highest concentration of MFOs. Successful MFOs are often those with an extensive international network.

Legal

It was with law number 1'439 dated 2.12.2016 that the concept of the Multi Family Office was introduced in the Principality of Monaco.

The reason the law was enacted was to give discipline to a number of wealth management-related activities that were previously rendered in the Principality. The existence of a number of MFOs encouraged HNWIs to come and establish themselves in Monaco. Banks, law firms, SFOs and many other professions benefitted from the MFO law approval. The MFO became a new label, a symbol of independence, expertise and safety.

Types

We can distinguish two types of MFO in Monaco; we can call the first one MFO for Jurists hereafter 'MFO J', and the second one, MFO for Jurists and financial advisors 'MFO JF'. The main difference lies in the types of services that can be provided.

Scope of the activity

The company's activity consists of providing, in Monaco and abroad, all advice and services on asset management within the meaning of article 1 of Law n. 1'439 dated 2.12.2016 on MFOs.

Authorisations

To incorporate an MFO you need authorisation from the Minister of State; the dossier needs to be deposited at the Economic Expansion Department of Monaco (DEE). If you opt for the MFO JF you will additionally need the authorisation from the Financial Activity Control Commission (CCAF).

Share capital

The two vehicles are treated differently. The minimum required share capital for an MFO J is Euro 150'000 whereas for the MFO JF it is Euro 300'000.

Legal form

The type of company required is a Société Anonyme Monegasque (hereafter 'SAM'). For more information regarding this, please see the government website.

Client types

Clients can be a resident in Monaco and a non-resident in Monaco. They can also be legal entities. You will not be able to receive funds other than from the MFO clients. Third-party retrocessions are excluded.

Office space

A SAM requires a minimum of square meters. Depending on the number of employees, you may need more office space.

Shareholders

Minimum of two shareholders. One of the shareholders can be a legal entity. Note that in no case may a bank or an asset management company be a majority shareholder. A client of the MFO can become a shareholder. The M&A will define shareholders and Members rights and obligations.

Directors

They are chosen among the shareholders. Minimum of two directors are required. One of them needs to be a resident in the Principality of Monaco. All of them have to hold a minimum of one share in the company.

Costs and time for the set up.

Registration tax, notary fees, publication fees. Office space and salaries or directorship remunerations are the highest costs. Additionally, costs for payrolls, accounting, and audit have to

be taken into account. This usually takes three to four months.

Taxation

If generating more than 25% of the turnover outside of Monaco, corporate income tax of 28% is applied to the profit as of 2020.

Audit and accounting

Conducted as per required.

Compliance & AML

A compliance officer is required. SICCFIN supervised

Invoicing

On specific missions or annual lump fees.



EXAMPLES OF ADVICE GIVEN TO YACHT OWNERS FROM A PRIVATE FAMILY OFFICE

On ownership

The most popular way to own and operate a yacht is through a limited liability company. This will ensure separation of the legal ownership from the shareholder and provides the individual owner with privacy. Limited liability companies limit the owner's liability in the event of a claim and provide some form of asset protection. We are also now seeing a number of limited liability partnerships being used, as well as foundations, to own vessels. There is no one size fits all, and each structure needs to be carefully considered to ensure that it meets the necessary requirements and the structure is fit for purpose. We will either work with the client's existing legal advisors or provide introductions to our network of industry professionals. In our experience, getting the structure correct from the outset is of utmost importance, and the earlier we can be involved in the discussions, whether it be in connection with the acquisition, financing or day to day management, the more value JTC can add. While in certain circumstances a vessel could be owned by a trust, a trust might typically be used specifically to own the shares of the company that owns and operate the yacht. Trusts can be used on occasions where the shareholder may wish to separate himself from the legal ownership of the asset holding company, or he may have a broader trust structure where the asset holding company forms just one part of the trust fund.

Assistance on flag

Most Ship Registers will only register yachts which are owned by nationals of their jurisdiction or their economic territory. However, most people can benefit from any flag state yacht registration as long as the vessel is owned by a company incorporated in the relevant jurisdiction or economic territory.

There are certain registration alternatives, such as the yacht engaged in trade scheme, which is available to Cayman flagged vessels and allows for a yacht to be operated both privately and be occasionally offered for charter, subject to certain strict conditions. The vessel will, however, need to be at all times commercially compliant. This has proven to be a solution in such circumstance where some income is generated, but an owner may still enjoy the use of the vessel without having to pay a charter fee.

Temporary Import Scheme

If we have a client who is, for example, resident in the USA (non-EU) and has purchased a yacht through a structure which is exclusive of VAT, and has registered the yacht purely for private use, in a Cayman Islands flag (non-EU flagstate) and he wishes to cruise in France (EU waters) – we as his family office with expertise in yachting; would recommend him to consider the Temporary Import Scheme, which is explained as follows:

“Vessels without duty paid, registered for private use outside of the EU and owned by non-EU residents are entitled to tax-free temporary importation into the EU for a total period of 18 months. At the end of the 18 months, the vessel must be sailed to a country outside the EU, after which the vessel may then re-enter EU waters for a further 18 month period.”

It is however important to note that this scheme is not available to private yachts beneficially owned or used by EU residents operating non-EU flagged vessels in EU waters.

Marine Services provided by a family office

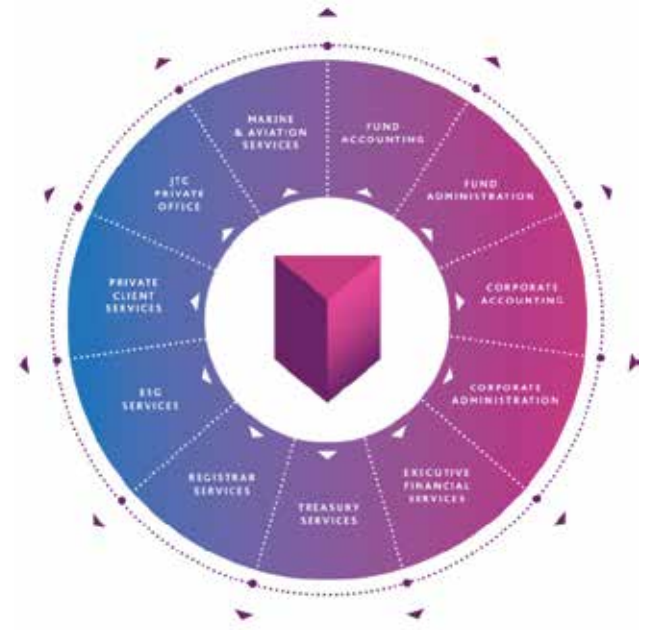
For clients wishing to acquire a vessel, a family office can provide the following services for both new builds and existing yachts:

- » Purchase with or without finance
- » Customised bespoke structuring
- » Company formation
- » Vessel registration and VAT compliance

Yacht management

In terms of the ongoing vessel management, a family office can oversee all responsibilities that would otherwise fall to the owner, which include safety management, crew hire, employment contracts, payroll and insurance for both vessel and crew.

Furthermore, they can also take responsibility for accounting and other financial matters such as reporting, in addition to providing administrative and operational day-to-day support.



The advantage of a family office doing the management of a yacht is that the UBO has only one point of contact for all of his/her assets.



CASE STUDY

JTC was approached by Mr. Smith, a non-EU resident individual who had a passion for yachts and identified a 55m (180ft) Cayman Flagged vessel for acquisition. Through a JTC introduction, initial legal advice was sought from a prominent maritime law firm in connection with the purchase of the vessel and establishment ownership structure.

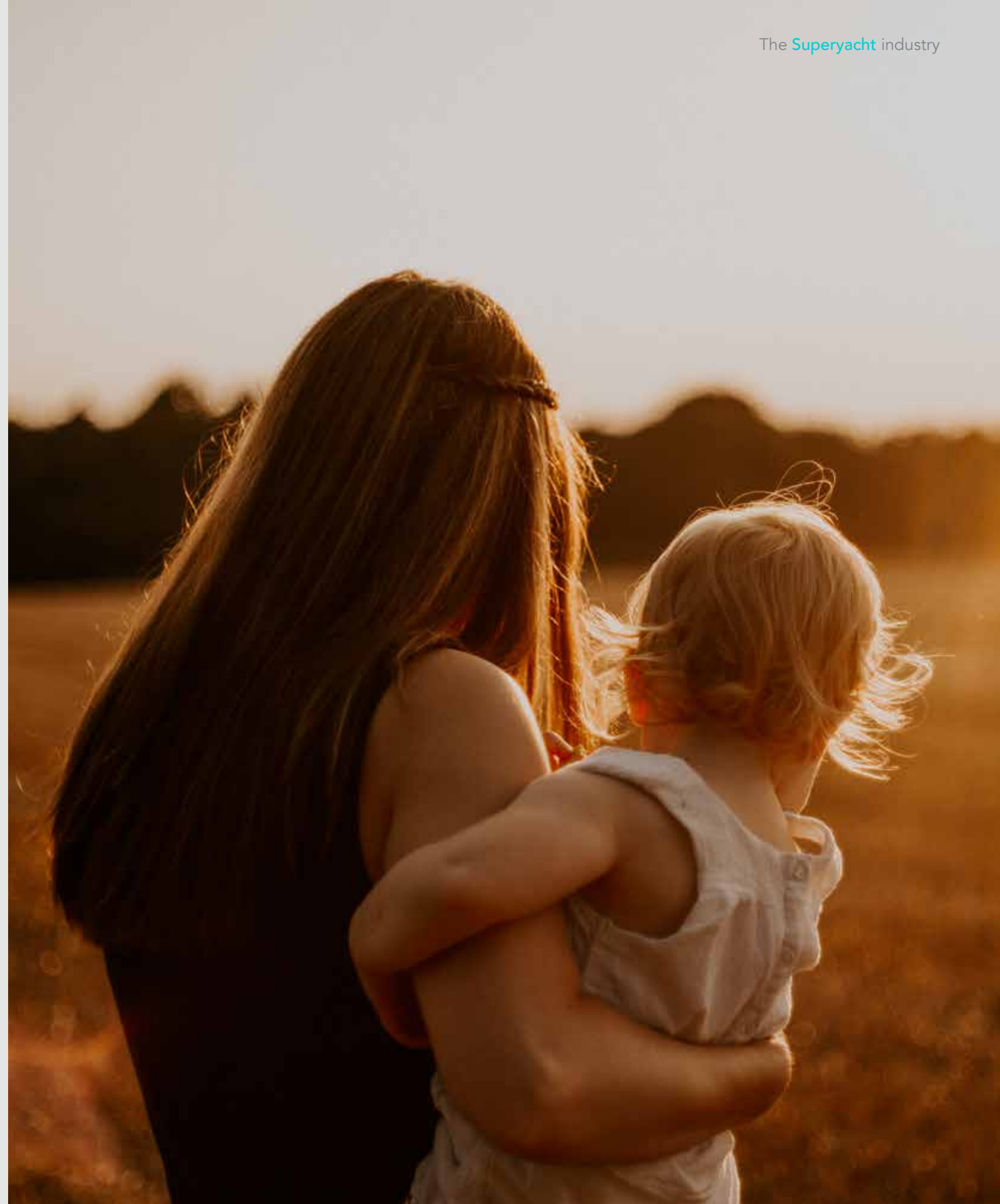
Mr. Smith understood JTC was the appropriate partner for the case and engaged formally with JTC and instructed them to establish a company incorporated in the British Virgin Islands for the purpose of purchasing and owning his dream yacht.

Mr. Smith was a cash buyer, and with the assistance of a reputable law firm, the company entered into a contract to purchase the vessel which successfully completed in international waters. Following the acquisition, JTC continued to help by arranging appropriate Hull, P&I, crew accident and medical insurances, formally engaging the crew under seafarer employment agreements, processing payroll, settling ship's expenses and has appointed a safety manager.

Mr. Smith recently wished also to finance the vessel, and JTC, in conjunction with a legal counsel, successfully secured loan finance from a third party bank lender, which included the granting of security over the vessel and the shares of the BVI company in favour of the lender.

In due course Mr. Smith felt that the vessel might be offered for charter, and further legal advice was obtained, which suggested that the Cayman yacht engaged in Trade Scheme would be appropriate in this instance. JTC then worked with the captain, the safety manager, VAT agent and Mr. Smith's private office to comply with the commercial requirements of the flag and class to secure a satisfactory outcome.

One of the issues Mr. Smith was also concerned about was how to pass his wealth to the heirs. JTC, alongside trusted law firms provided the solution which included the set-up of a trust structure and the appointment of a Trustee. Mr. Smith will be able to sail his yacht with peace of mind and his assets are protected and safely administered.



Online Forum:

<https://superyachtindustry-forum.com/forums/forum/family-offices/>

