ROBUST PLANNING FOR A NEW ERA

2021 PREDICTIONS FROM UTMOST WEALTH SOLUTIONS

Utmost Wealth Solutions provides insurance-based wealth solutions to clients to help safeguard their wealth for future generations.

We manage over £30bn[1] of client assets and work with key partners and advisers from around the world. Following an eventful year, some of our global Sales and Technical team members would like to share their top predictions for 2021 from a selection of our key markets.

GLOBAL TRENDS

STEPHEN ATKINSON

GLOBAL HEAD OF SALES AND MARKETING, UTMOST WEALTH SOLUTIONS

As we enter 2021, it is clear that the fiscal impact of Covid-19 will need to be paid for through a combination of tax and borrowing (deferred taxation).

The cost is so great that this is likely to require a commitment from most, if not all, taxpayers. In order to sweeten the medicine, it is likely that there will be an increased focus on the contribution from high net worth (HNW) and ultra-high net worth (UHNW) individuals, both in terms of actual rates and compliance. Whilst this is likely to increase the demand for wealth solutions in general, it is expected that social responsibility and the risk of reputational damage will lead clients and their advisers towards the most socially acceptable solutions. Wealth planning using international life assurance is likely to become a more popular choice this year.

We believe that clients and their advisers will also be more focused on the resilience and sustainability of wealth planning alternatives, with a preference for a 'shockproof' solution that provides safety and access to funds. The life assurance industry is well regulated and providers carry high levels of solvency capital to maintain operational resilience.

Continuing the trend that emerged after the last global financial crisis, clients and their advisers are likely to gravitate towards the strongest providers in terms of size, stability, jurisdiction advantages and ratings.

1 As at 31 December 2019

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UNITED KINGDOM

DAVID MATTHEWS, MARC ACHESON AND JULIAN MELLING

The United Kingdom has been and will continue to be a major financial services hub and despite the uncertainty created by Covid-19 and Brexit, it remains a key market for Utmost in terms of our client base and assets, our expertise and levels of new business.

We predict that tax will be a recurring theme for 2021 leading to the possibility of a profound change in the wealth landscape. The Office of Tax Simplification recently published the results of a consultation on capital gains tax[2] with conclusions indicating (a) that rates should align to income tax (b) a potential removal of holdover relief on death and (c) a suggested review of corporate tax rates for family investment companies.

In addition to the above, an estimated £300 billion[3] will pass through the generations in the UK over the next 10 years and the reputational risk attached to complex and aggressive structuring means that solutions like international life assurance may be seen as a better option and less likely to undergo substantial tax changes. We also believe that recovering stock markets and the pandemic easing will encourage HNW investors to return to the market in 2021.

SINGAPORE

CHERIE TAN

Regulation in the wealth management industry has increased considerably and will continue to evolve.

Asian clients are looking for tax efficient and compliant solutions just as taxation of wealth becomes a priority for many governments. Private wealthy clients who are internationally mobile need a resilient, more robust asset management strategy, which is compliant across multiple jurisdictions. A life assurance based solution is a universally recognised cross-border wealth structuring tool that can deliver such benefits.

ITALY

UGO DE GRENET

Similar to other global economies, we are likely to see an increased focus on the tax base in terms of paying for the crisis.

In Italy, Covid-19 has led to additional pressures in some already challenging areas. The Italian economy suffered during 2020 with an expected reduction in GDP of around 10%. Italy has also seen very high levels of fiscal stimulus at 34% of GDP compared to 31.5% of GDP in Germany, 16.9% in the UK and 16.2% in France[4]. The fiscal measures are expected to support economic recovery in 2021 and 2022 but much depends on the way the funds are distributed and spent.

As a consequence of the scenarios described above, it is expected that in time, the Italian authorities will increase taxes to cover the costs. Inheritance tax is currently 4% (with high deductibles) and the wealth tax is 0.20% on bankable assets only. We watch with interest for developments in 2021 and beyond.

2 Source: https://www.gov.uk/government/publications/ots-capital-gains-tax-review-simplifying-by-design
3 Source: https://www.brooksmacdonald.com/~/media/Files/B/Brooks-Macdonald-V4/documents/int-gen-wealth/Intergen-Wlth-Transf-Summ.pdf
4 Source: Prometeia, September 2020

FRANCE

BRENDAN HARPER

Following on from three budget acts already this year, the Council of Ministers adopted the French Budget Bill for 2021 on 28 September 2020.

France's central bank said in November 2020 that it expects economic activity to decline by 9%-10%. However, with vaccination programmes currently underway, a more optimistic bounce back this year is expected. It is likely that 2021 will be dominated by the Government's balancing act between replenishing battered finances and stimulating growth, through a combination of public borrowing and tax incentives.

British nationals living in France are now Third Country nationals as of 1 January 2021 and will need to formally register as residents if they wish to remain in France. This may result in many becoming French tax resident for the first time. It is essential that financial planning is focused on structuring wealth so that French taxes are legitimately mitigated. Assurance vie is a well-established method for ensuring that wealth is protected, both from an income tax perspective, and for ensuring it is passed on the next generations in a flexible and tax efficient way.

SWITZERLAND

AIDAN GOLDEN

The Swiss Federal Government expected a contraction in the Swiss economy of 3.8% by the end of 2020, which is a vast improvement on previous forecasts, and means Switzerland fares better than many other nations.

2021 is predicted to see a recovery by almost the same percentage.

As a small open economy, Switzerland's economic prospects are heavily dependent on the economic outlook in other countries, particularly in Germany and Italy.

Following last year's referendum rejecting a proposal to end free movement of people between Switzerland and the EU, 2021 is likely to see increasing pressure on Switzerland to agree a framework accord setting out the country's future relationship with the EU. 2021 will also see the implementation of a new trade agreement with the UK.

FINLAND

ANITA TEISTELA

The sudden stock market downturn in March 2020 caused panic selling as well as opportunistic investing.

The continued volatility has exposed weaknesses in many investors' long term planning and brought the need for diversification to the fore. Investors' risk tolerance has taken a serious knock and therefore insurance-based savings and investment products that offer a wide range of asset classes and investment choices in all risk groups, will continue to provide an ideal vehicle for risk diversification.

The level of both personal as well as corporate taxation in Finland is high and in order for the Government to pay for unprecedented increased spending and borrowing in recent times, we believe that the tax rates are likely to be going up this year. Therefore tax efficient forms of saving and investing will be of increasing interest and any available allowances should be utilised fully by investors. Insurance based savings/ investments and voluntary employee funded individual pensions still offer opportunities to benefit from some worthwhile and unique tax advantages.

PORTUGAL

PEDRO PAIXAO

Portugal remains one of the most attractive destinations for internationally mobile private clients.

In 2021, we expect to see an increase in the number of new arrivals due to the continuation of Non Habitual Resident Tax regime and Golden Visa programmes. With Brexit on the horizon, UK nationals living in Portugal were advised to apply for a residency certificate before the end of December.

Fitch Ratings recently affirmed the country rating of Portugal at BBB with a stable outlook and the Portuguese economy whilst still facing challenges, is expected to show some recovery in 2021.

SPAIN

JOSE VICENTE MARTIN

According to European Commission forecasts[5], Spain is one of the EU economies worst hit by the pandemic with a forecast reduction in GDP of 12.4% in 2020.

Tax hikes for high-income individuals and corporations, including on savings income above €200k, feature in Spain's expansive next budget. The measures will affect personal income and wealth taxes, as well as some additions to gifting and inheritance rules from 1 January 2021.

The announced change to SICAVs whereby each of the 100 shareholders must invest at least €2,500 may lead to the closure of many of these vehicles. Alternatively, they could be transformed into ordinary companies paying 25% corporate tax with the exception of investments in private equity.

After a period of relative stability in terms of tax change, we expect that the new budget measures will have a major impact on financial planning decisions. In a country like Spain where trusts are not regulated, private life assurance is a unique vehicle for estate planning, especially in terms of passing on wealth to subsequent generations. Life assurance portfolios will continue to maintain the gross roll-up of gains without taxation, coupled with greater flexibility in the investment strategies that the policyholder can select.

EXPAT – EUROPE

JAMES CLARK

2021 promises to be an interesting year for the expatriate market in Europe.

With a Brexit trade deal agreed, the lure of popular European expat destinations will grow stronger for several reasons. For a number of clients, the Covid crisis will have changed their outlook. Businesses have learned that their commercial enterprises can operate from anywhere in the world and for lifestyle reasons they may choose to make a new life in sunnier climes. For others, the risk of higher taxes in places like the UK to pay for the economic damage caused by the global pandemic may cause them to rethink where they choose to be tax resident.

There has been growing interest in destinations like Portugal, Italy and Greece due to the favourable schemes designed by their respective governments to attract investment into the economy. Gone are the days of people just retiring to the Mediterranean for a bit of golf and sunshine; people are making lifestyle decisions at all stages of their lives and the incentives are there for everyone.

In Europe and further afield, the adviser community has reacted to the growing demand by expanding their reach into destinations which are popular with expats. Increasing regulation and scrutiny on fees has made the market more competitive, which in turn has led to more choice for the consumer. Our propositions are designed to take into account the differing ways in which clients are now paying for advice and more importantly how they would like to invest their assets with a financially secure and responsible provider. The challenge is ensuring that our partners have the right solutions available, which will satisfy the demand of their clients who are less likely to settle forever in one destination.

5 https://www.euractiv.com/section/economy-jobs/news/commission-expects-recession-to-worsen-in-hard-hit-spain/

UAE

DEREK GEMMELL

With only a relatively short lockdown in 2020, the UAE handled the Covid-19 situation very well with a back to business attitude albeit following the appropriate guidelines.

Being based in the centre of the world in the Dubai International Financial Centre (DIFC) this allows us to meet with many diverse partners and clients who have needs and requirements in multiple jurisdictions.

We are also seeing many of the global private banks establishing and strengthening their presence in the DIFC, which will lead to further developments in terms of multi-jurisdictional wealth planning for HNW clients. The UK also remains an attractive destination for HNWIs moving from the Gulf region, with over 11,000 Gulf nationals now with homes in the UK – up 28% in the last five years[6]. We expect this trend to continue in 2021 and subsequent years.

LATIN AMERICA

DEREK GEMMELL

2020 was a year of change for Latin America's 600,000[7] plus millionaires.

For many, the political and economic instability arising from Covid-19 will focus their attention on protecting their wealth, with some considering a location move as the logical next step. Clients may be looking for jurisdictional diversification as part of their wealth plans – to keep their options open in an uncertain time.

Even with the uncertainty in the region caused by Covid-19, we believe that there is still the need and desire to invest in hard currencies with the underlying trust and tax rationale also another very strong reason to invest.

FOR MORE INFORMATION ABOUT UTMOST WEALTH SOLUTIONS, PLEASE VISIT

www.utmostinternational.com or email **salessupport@utmost.ie**

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6 Source: https://www.boodlehatfield.com/articles/number-of-hnw-gulf-nationals-living-in-the-uk-reaches-five-year-high/
7 Source: Credit Suisse Global Wealth Databook 2019

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