

WEALTH MANAGEMENT AND PLANNING

Here we speak to Rodrigo Alonso Martins about the variety of factors in wealth planning and how globalization has impacted clients. Why should you devise a wealth plan? Read on to find out.

With a variety of factors playing a part in wealth planning, can you share the most underrated, but highly important aspect, which enables clients to devise an efficient wealth management plan?

Nowadays, the personal reality of clients and their families is that not only their family members but also their assets and businesses, are no longer present in only one single country. Clients who seek advice on wealth planning are more globalised than ever, and are starting and developing their roots in multiple countries.

With this in mind, no matter how common globalisation may seem, many clients still do not give due attention to the qualification(s) that the professionals with whom they work and the multijurisdictional knowledge that these professionals have.

This factor, although still highly neglected, has a great impact on the success of the developed planning since, the integration - not only from the legal aspect but personal and corporate -, has created a much more holistic plan, since they must take into account and equalize the interrelation

of the reality of these several countries that fit into each of the clients' families and their businesses.

Thus, without there being a professional with the qualification and capacity to manage the connection with the most diverse professionals needed in each jurisdiction involved, there are great chances that the final result of the wealth planning will have marginalized relevant aspects that should have been considered for its effective success.

In your opinion, when should business people begin considering devising a wealth plan?

There is no objective answer or a general rule that can be applied in all cases. This is because wealth planning takes into account situations and families that are trivial to the most complex, from the viewpoint of their wealth context.

However, taking into account that regardless of family and wealth complexities, some situations and their respective impacts are recurrent in any case, such as: the incidence

of taxes and the transfer of assets in a succession event, among others. It is recommended that all clients begin their considerations regarding their estate planning as soon as possible since, logically, as the family and wealth universe takes greater proportions, the complexity takes proportionally more time for evaluation, elaboration and implementation of the appropriate planning, as well as the associated costs.

Thus, one wants to avoid that in the middle of the planning process; you would want to avoid the family being caught unprepared in the face of unexpected events that imply irreparable impacts and/or losses in their personal family and wealth context.

What benefits does a strong wealth management plan pose for clients?

Our practical experience has shown us that the most relevant benefits are:

1. An introduction for the new generations into the understanding of their family's wealth management in which this opportunity is used to create a much stronger family

bond, since the next generation feel themselves to be part of a much larger context and with that responsibility for the success in the construction or maintenance of the legacy initiated by the previous generations.

Also, such opportunity will serve as a stage for learning and education in terms of wealth and financial management for the next generations, which will be very important to contribute to the maintenance and growth of family wealth.

2. Proper preparation for the transfer of assets in a coordinated way is one of the aspects of wealth planning: the succession aspect. In addition, it is possible here to avoid family conflict, because the process is done in a more transparent way with the involvement of all the family generations, ensuring that the primary generations in the planning can expose and present their considerations of how they would like the family context to be followed after their absence and the reasoning behind, thus opening up the possibility of family dialogue.

3. The reduction of tax impacts in the process of asset management, be

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it during maintenance or transfer of equity phase; avoiding the need for changes in the financial and corporate management plans or liquidation of assets in unplanned periods, causing the loss of value or the lack of optimization of the gains linked to such assets. Not to say that the savings results inherent to tax optimization, within the most diverse possibilities according to the applicable laws, become available for investment in other assets contributing to the formation and growth of the family global wealth.

4. Supported by the previous benefits, an additional one, although it depends on less objective aspects and the control of the financial managers, is the growth of the wealth, mainly the portion related to financial assets or also called banking assets.

Considering the above, it is very important that the qualification of the financial manager allows for an appropriate financial investment strategy, and that the management of market volatility and the risk inherent to each class of assets - as well as what we call the Total Balance Sheet - which is precisely how all assets (not only the financial ones) of a client's portfolio are distributed, compares to the risk allocated to each one of them.

Thus, through the adoption of specific economic concepts and principles, a practice of very high relevance in the wealth planning and management universe, which is the Asset Risk Management, is achieved.

Moreover, what common legal challenges are presented when devising a suitable plan?

As previously mentioned, facing

the globalization of families, their assets and businesses, the greatest challenge is to achieve an equalization of the legal aspects of the multiple jurisdictions involved in each case, including the analysis of which legislation will apply to each family member and to each asset in a given time frame.

This stage of the work associated with wealth planning is the one that usually requires the greatest attention, time and investment in terms of costs in the whole process.

Adding to the challenge above, often the difficulty that we face is for the client to feel comfortable to talk about sensitive and delicate issues, such as death and what their plans and goals for the good of the family are when they are no longer around. Although it is not a purely legal aspect, it is among the biggest challenge, because otherwise, it creates an obstacle to progress in the elaboration of a relevant part of planning.

How much importance does tax structure have when managing wealth? Can you expand on common points and issues clients should be aware about, in order to devise an efficient plan?

There is a misunderstanding that one should use a structure with the exclusive tax objective. The importance and relevance of these structures are associated with their integration with other aspects of planning in search of the best tax efficiency in line with operational efficiency and post-implementation planning management. On the other hand, it is clear that such structures play a very important role, because all that is generated in terms of tax savings is financial resources available for investment in other classes of assets; not only that, they can also contribute to the generation of tax deferrals, which is different from a tax reduction, in which a postponement is achieved at the moment when the respective tax is due, which in practice results in the capacity to reinvest the results before the payment of taxes (in some cases linked to the moment in which such income is effectively distributed to customers to their individual name - also known as cash effect for tax and accounting purposes), thus increasing the “lot” invested.

What all clients should take into account is precisely the point I made earlier in relation to the harmonization and

equalization of the various laws applicable not only to their country of origin, but also to other countries that influence their family's and wealth reality; with particular attention to this aspect, the consequences may be inversely proportional to what was sought with the planning.

What should clients be protecting with these plans?

In general terms, what is primarily sought to be protected is the wealth gained over the life of one or several members of a family. However, there are intrinsic aspects to this quest that clients do not know how to reproduce in words, but it is nothing more than family well-being during the various stages of life, and the guarantee that the next generations will be well supported by the legal and financial point of view.

Finally, in cultures more developed and accustomed to the practice of wealth protection, what is usually sought to protect is what I call the 'Legacy'.

This represents not only

the financial component conquered and built, but also the historical essence of a person, including life philosophies, philanthropic projects and assets often intangible but highly relevant not only to the family, but to the general public as businesses such as Coca-Cola, Microsoft, Amazon, etc.

Should business people consider offshore? What are the benefits and disadvantages of offshore for wealth planning?

Yes, entrepreneurs should consider platforms, structures, solutions and offshore strategies, as often as part of the diversification of assets of their Total Balance, in order to achieve the best results. The support of the international environment is necessary since a single country with its specific legislation, cannot provide all alternatives from the point of view of efficiency in all cases.

Thus, since there is no ready recipe that can be used for all cases and customers, we cannot restrict the scope for solutions and alternatives that exist on an international level in order to develop the most

efficient planning in several areas of the law such as tax, inheritance, corporate, contractual, banking and others.

Considering all the challenges that professionals dedicated to the development of the wealth planning practice face, in summary, in your specific case, are you able to highlight what makes your offers successful and different from the others, in providing the best benefits to your clients?

In a constantly changing world, you need to be aware of business opportunities wherever they may be. Especially when we work in sensitive areas such as the legal advice and asset management sector.

It was in this context that the offices I represent - Ripol Alliance Global Wealth Strategies and Ronaldo Martins & Advogados - jointly developed a differentiated and holistic approach to such multijurisdictional planning and work. Thus, between our law firm in Brazil and the Multi-Family Office based in Miami, we have been able

to distinguish ourselves from competitors in several aspects.

Starting with the practice model... More than seeking options to preserve clients' wealth, we elaborate short-, medium- and long-term strategies based on the potential of the gains over time, whether financial or tax, as well as the permanence of capital and family succession.

This is possible thanks to a differentiated approach, based on a multidisciplinary vision that covers a range of highly specialized services, such as portfolio investments, mergers and acquisitions, tax planning, change of tax domicile, rental/purchase of real estate abroad, purchase of other assets, in addition to any accounting and tax support. Finally, all legal, financial, accounting, tax and succession services, with the best options to meet the needs of the client, in all phases of their life and their executive and business career.

While the activities of Ripol Alliance Global Wealth Strategies are focused beyond Brazil's borders, Ronaldo Martins & Advogados works with complementary but not less strategic services in the Brazilian market. As such, clients can count, at one and the same time, specialists in legal and wealth strategies with access to the main markets on the five continents. **LM**

CONTACT

Rodrigo Alonso Martins, TEP®

CEO and Head of Wealth Planning Strategies

RIPOL ALLIANCE GLOBAL WEALTH STRATEGIES

1395 Brickell Avenue, 9th Floor, Suite 900, Miami - FL - 33131 - USA

Direct: +1 305 357 2063/+55 11 3066 5932

Main: +1 305 200 8800/+55 11 3066 4800 | Mobiles: +1 786 641 8880/+55 11 99965 3908 4848

Email: rodrigo.martins@ripolalliance.com | www.ripolalliance.com

RIPOL
ALLIANCE
Global Wealth Strategies

RODRIGO ALONSO MARTINS

Rodrigo Martins – CEO and Head of Wealth Planning Strategies at Ripol Alliance Global Wealth Strategies (www.ripolalliance.com) and Head of International Taxation and Wealth Planning at Ronaldo Martins & Advogados (www.ronaldomartins.adv.br).

I have obtained an Economic Degree on PUC - Pontificia Universidade Catolica in 1999 and at the same time, in the year 2000, I also started my Legal Degree at FMU, concluding this degree on the year 2005. From the age of 19, I started working at my family's law office named Ronaldo Martins & Advogados (www.ronaldomartins.adv.br). I started as a regular trainee working on the tax area.

By 2002/2003, I started to work directly with the main partner of the office (Ronaldo Martins) on the Tax Area developing National and International Tax Planning for Local and Multinational Companies as well as to individuals, providing for the last, all the support in terms of legal wealth management and protection. Thus, in the past years till the present date due to the work developed at the office, my expertise in managing onshore and offshore structures increased significantly, providing confident

legal support to clients of our office. This expertise involves not only the tax aspects of the client, but also his financial structure and possible corporate structures to handle the clients' wealth, thus providing a full and in-depth planning for the clients providing the lower tax burden possible to the client always taking into account not only the local laws but all the tax treaties possibilities in addition to foreign laws to achieve the most successful planning possible.

Also, during this same period, I was able to go to the University of California in Davis in 2006 for the Program of Orientation in USA Law, which gave a broad overview of the most important issues to be addressed when considering global corporations or legal issues.

In addition I attended to several other courses in Brazil in different subjects such as International Tax Law provided by IBDT and Transfer Price and other legal matters, also participating on events from the American Chamber of Commerce in Brazil, the British Chamber of Commerce (Britcham) in Brazil, Annual Meetings from the International Bar Association (IBA), American Bar Association (ABA) and the International Fiscal Association (IFA). I concluded a postgraduate education course on Merge & Acquisitions at the International Institute of Social Sciences - IICS, in conjunction with Vanderbilt University in Nashville, USA and also attended courses such as: Private Wealth Management Program – Wharton School of the University of Pennsylvania.

In 2010 I was invited by HSBC Private Bank (Suisse) S.A. in Geneva to be part of their Latam Wealth Planning Team where I held and developed the Wealth Planning position with the specific focus on the Brazilian Market. Having an extensive experience on Brazilian Law (focused on Tax, Succession and Corporate Law), and considering the Market size, I developed the position exclusively with Brazilian clients, by working closely with the relationship managers on supporting their service rendering and relationship with the Private Bank clients. With full access to the final client, on the current position, I was responsible for developing the evaluation of the client's wealth planning situation and propose coherent and efficient solutions in terms of the wealth and succession planning through intensive use of Trusts, Private Trust Companies and other solutions. In 2013 until 2015, due to the successful development of the Wealth Planning for individuals on the Brazilian Market and the increasing demand, on a strategic decision of HSBC, I was relocated to Brazil to be able to fulfil the increasing demand, setting and developing this new position of Senior Wealth Planner in HSBC Brazil. In addition to the work already under development, I was then responsible for the development of the Wealth Planning department locally and also co-responsible for the country Wealth Planning general guidelines to be applied and followed by HSBC Group worldwide.

In May 2015, on a strategic decision, also due to changes

on the business direction of HSBC Private Bank and the Wealth Planning offering, I started Ripol Alliance Global Wealth Strategies (www.ripolalliance.com) in Miami – which is a wealth planning and complex international planning/structuring consulting company where I am the CEO developing not only the business management but also the position of Head of Wealth Planning Strategies. Dedicated mainly to the Brazilian clientele focusing on solutions and strategies for international investments on multiple different classes such as banking assets, real estate and economy, including the development of succession planning for the families and businesses. Also, as part of the work, implementing local business for the same clientele interested on expanding their operations to the US market and structuring the operational networking for each business needs such as Fiduciary Agents, Multi-jurisdictional Lawyers, CPAs, Insurance Brokers, Realtors, Banking and Financial Management Professionals, etc. This operation and activities are held integrated with the function, responsibilities and strategies of our Brazilian Law Firm Ronaldo Martins & Advogados (also a family business) which demonstrated to be a very successful business combination on our clients best interests providing a holistic view of legal, business and operational point of views integrating both regions. Finally, for synergy purposes mentioned above, I also hold the position of Head of International Taxation and Wealth Planning at our Brazilian Law Firm Ronaldo Martins & Advogados, although I am based in Miami.