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Is Bermuda missing an opportunity with the uber-wealthy?

By Martha Myron

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Numerous jurisdictions are aggressively promoting their natural product — investor immigration programmes — to appeal to very wealthy individuals: protection and privacy, light tax and infrastructure, sophisticated and democratic societies, wonderful scenic co-operative surroundings, and often accompanied by various friends and business associates who have also emigrated. Other welcoming jurisdictions have acquired wealthy individuals and their families who have decided to take up permanent residence for various reasons, such as tax efficient

management of their assets.

“Tina Turner — the iconic American pop music legend — is no longer an American,” stated the opening paragraph in a recent article in Wealth-X * news that I found on an US expatriation web information search. “A Growing Number of Wealthy are ‘Jurisdiction Shopping’ to Take Advantage of More Favourable Tax Climes,” written by Tara Loader Wilkinson, editor in chief of Wealth-X, November 20, 2013, certainly caught my eye, even though we have known for some time in US tax professional planner informal networks that Ms Turner had planned to relinquish her US citizenship.

Ms Turner, who is worth more than \$40 million US dollars, and has lived in Switzerland since 1995, according to Forbes contributor, Robert W Wood,** chose to give up her US Passport to become a Swiss citizen.

Thus, regrettably, the curtains have come down on a wonderful world ambassador of music, and style, representing the American Way. We can’t know the personal reasons why this famous lady elected this course of action, but for anyone, in the position of being an internationally globally mobile person with ties to more than one jurisdiction, it has to be a difficult, emotional decision. Being an incurable romantic, I am sure that “love had a lot to do with it (Ms Turner’s decision)” since she also married her long-term partner, Erwin Bach, earlier this year after more than two decades together.

An individual with ties to two countries, for example, fully resident in Switzerland is subject to tax there by virtue of the Swiss residency taxation regime, but also as a US citizen or green card holder is subject to United States tax on citizens' world wide income from wherever source derived. In this case, relinquishing a US passport simplifies financial and tax matters going forward.

Taxation is not always the reason for acquiring a new nationality or moving jurisdictions, but it could certainly be viewed as an incentive when the entire tax filing and reporting bureaucratic process becomes just too tedious and cumbersome to contemplate. Those that can afford to move — in order to simplify their financial lives — will do so.

According to The Wealth-X article, there is a very real trend in ultra high net worth (UHNW) individuals and families in “jurisdiction shopping and nationality swapping” to find the right jurisdiction, or a second country to call home.

World-class figures such as golf stars, rock and media stars, sports figures, investment gurus, politicians, and the like, have over the years moved their permanent residency to tax-neutral and welcoming jurisdictions.

This was the title of last week's article. Anti-foreigner rhetoric will not help — rival islands get it and so should we. This topic was hugely received, more than 70 comments were made — across the spectrum. Some found the article instructive, others were dismissive of the content; thought it predictable; some thought me naive with a built-in bias; some think I am one of those foreigners (my Bermudian family repaired sewing machines for a living); others were adamantly against the investor citizenship programme concept; while others got it and were supportive of it.

All in all, the purpose of the article was achieved — to continue to raise awareness of Bermuda's serious financial problems and the need to generate new revenue through direct foreign investment.

For all of you that participated, thank you. A dialogue has started.

I reply to a few of those comments of November 30, 2013.

1. How could all those new businesses possibly be created? This refers to a proposed cap of 1,500 wealth investors with a mandated five Bermuda minimum employee contingent.

The Bermuda Investor Investment Programme was small scaled as an initial proposal. Wealthy individuals are businesses unto themselves; they do not have to create a business. Handling their affairs requires numbers of employees; accounting, legal, infrastructure and technology, investment management, caregivers, property management, equipment maintenance, and so on. In general, then five mandated Bermuda employees could become an integral contributor to that single investor.

2. If we can't even sell PRC rights at \$25,000, what makes you think that someone will pay \$1 million?

We need to market to the right demographic group. You've heard the phrase — take it to the top. A wealthy individual worth millions or few billion dollars (euros, pounds), who is happy with his new jurisdiction of choice has no problem paying that investor fee, and is already doing so across the spectrum (Malta) elsewhere. Somehow, Bermuda seems to have no problem attracting the likes of Paul Allen and his yacht, Octopus, if only for a brief stay and numerous other wealthy philanthropists and businessmen who have made Bermuda a serious real estate property choice. We can't interest Ms Turner in reigning here, regrettably, but there are so many more opportunities to sell the business opportunities (even to other divas) of our island, without selling our birthright.

3. Statement from a commenter that people like me are the only ones quoting anti-foreigner rhetoric, and talking about taking away land space from Bermudians.

Actually, people like me are just like people like you. Bermudian, born of Bermudians back to great-great-greats, who care greatly about the future of this island, and are deeply concerned about bringing this country back to a positive cash flow, and a solvent financial position.

There are thousands of empty homes, rental properties, office buildings, built by Bermuda companies, occupying space now. No one is advocating taking up limited land space — it is already taken up. Nor, how can anyone displace Bermudians when properties are empty? How many more Bermudians will lose their homes before this is over, because they cannot rent, or sell a property?

Where is a bona fide revenue generation plan? Where is the worst case contingency revenue plan if multinational corporations decide to pass on Bermuda as desirable tax-neutral jurisdiction for a holding company, subsidiary, or group headquarters?

Bermuda needs a definitive plan in place now to raise revenue. Not proposals, not generic statements, not political marketing, but a real definable time-lined plan.

Plan. Market. Brand. Execute!

*Wealth-X www.wealthx.com is a global ultra high net worth (UNHW) prospecting, intelligence, and wealth due diligence firm. It provides services to financial institutions, journalists, and charity fundraising prospect researchers. Wealth-X, in conjunction with UBS, recently released the Wealth-S Billionaire Census, the first global census that provides a very succinct, interesting look at the detail surrounding billionaires today. And there are more of them than realised.

** Robert W. Wood, Swiss Tina Turner Giving Up US Passport, Forbes, January 25, 2013.

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