

PARTNERS' VIEW

May 2020

Who is... ? Ewa Senti

Ewa Senti is a cosmopolitan who loves a challenge. Ewa joined swisspartners group two years ago on 1 June 2018 to begin her senior sales support role in the insurance department. A native of Poland, Ewa previously worked for nine years at LGT Bank as a trader in the field of foreign exchange & money market financial services for wealthy private clients, as part of the portfolio management team and in fund trading. The job at swisspartners offered her a new and exciting challenge spanning the two locations of Liechtenstein and Austria. Ewa is also jointly responsible for the business unit in the Cayman Islands. Her role covers both advisory functions and conflict resolution relating to insurance matters. What Ewa loves most about her work are the variety of issues involved and the opportunities for continuous professional development. «There is always a solution to every problem – I don't take <no> for an answer», says Ewa. «The most satisfying thing is the customer's appreciation and gratitude when a difficult case has been resolved.» Working for swisspartners is more than just a job for Ms Senti, who appreciates the freedom and good working relationship she enjoys with her team and boss. Ewa is always full of energy. A lover of altitude and adventure, the former pilot with a recreational sailplane licence practices yoga, enjoys cooking and good food in her free time, as well as skiing and snowboarding in winter. Whenever she can, Ewa also supports music productions from the LITTLE BIG BEAT recording studio in Liechtenstein.



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WEALTH MANAGEMENT

The two most powerful warriors are patience and time – Leo Tolstoy

The clue is in the title!

COVID-19 is a global pandemic which has led to something we have never seen before: a global health crisis which in turn has prompted a global economic crisis.

The virus has no respect for geographical borders, race, religion, politics or economic affiliations, either regional or global. Unfortunately, some people do not understand this yet – but they will before it is all over.

Looking at the great financial crisis of 2008, the world did not cooperate immediately to stem the decline, but it did get there eventually. There can be no solution to the current crisis until we see much greater cooperation on a global scale. Whilst it is tempting now, when we are all in a fragile psychological state, to engage in finger-pointing and a blame game, this will solve absolutely nothing and probably only make things worse. Once the current crisis is over, we can all indulge in this to our heart's content.

As individuals in the rather unusual circumstances we are facing, we must be extremely wary of politicians who will use the current situation to sow discord in order to divert attention away from their failed policies.

While we have given up some significant democratic liberties in the short term in order to suppress the virus, we must ensure that our politicians give us back these liberties in a swift and timely manner. Make no mistake, we are in a very dangerous period for democracy.

Let's hope there is some improvement in global political leadership and that world leaders put aside their petty squabbles and focus on the issues that affect all of humanity now. The world needs economic growth to rebound quickly and reassurance from leaders and central banks that they will do what it takes in a coordinated way

More questions than answers

As an industry, asset management has an appalling track record on calling things right. Much of the fault

lies with the financial media and their global, 24/7, 365 days a year media cycle. Whilst many impressive financial experts (who have called something right once upon a time) are wheeled out to give intelligent-sounding advice, in reality no one has a clue how this will play out – not even the medical community. Your individual opinion has just as much probability of being right or wrong.

So instead of focusing on «what ifs?» and «maybes», let's try and concentrate on what we know.

The economic data is bad – really bad – and it is only going to get worse in the short term. In fact, some of the readings will probably surpass the 1930s in their nastiness. However, we all know this, as do the markets. Of course, this is just a point in time, albeit an uncomfortable and scary one.

BUT

One important point to consider is that even though financial markets are dependent upon economics to some extent, they do not follow every twist and turn in real time and can become somewhat detached over certain periods of time. Economic data is backwards-looking, while markets are more about predicting what is going to happen. To put it in simple terms: many people are trying to drive while looking through the rear-view mirror.

At some point in time there will be an economic recovery. Nobody knows when, but it will happen and perhaps even sooner than many anticipate. While people are talking about a V shape or a U or even a W, it really is all alphabet soup. We just don't know until it happens, but if you're not positioned for it you won't participate because the movement is likely to be fast and aggressive in nature.

Human beings are pack and social animals – if we were not then prison and solitary confinement would not be punishments. After this severe crimping of our freedoms there will be some latent and pent-up demand.

Following the herd is not the way to generate long-term outperformance. What may seem sensible now may not be soon. After all, how many pieces of exercise equipment does one household need? How many monthly trial subscriptions to media streaming companies will be cancelled once lockdown ends?

Earnings from companies are and will continue to be awful for a while, but this lowers the bar going forward for future comparisons and early evidence suggests that companies are being prudent in their spending and dividend policies. There is also a significant chance that companies will come out of this leaner and meaner, with the subsequent rebound in profits proving to be stronger.

Analysts have thrown in the towel on even guessing what company earnings are going to be and companies have ditched any forward guidance, which does leave the hurdle for positive surprises rather low.

Be cautious when it comes to prominent, definitive announcements as there are many agendas out there. The airline industry has announced it will take years to recover even though it knows no more than you do. Could this sector just be looking for an excuse to streamline its businesses without taking political flak?

A large amount of expert professional work on treatments and vaccines for the virus is being undertaken in a global and coordinated manner. At any point in time there could be a breakthrough and it will be a binary event. The sooner it occurs the shorter the duration of the economic damage and the quicker and more pronounced the recovery.

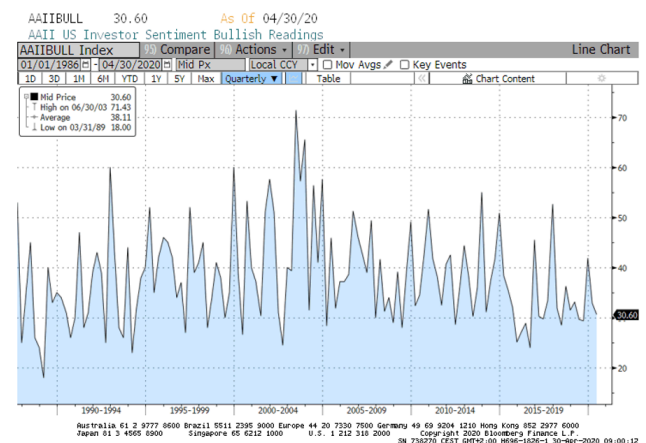
The only expert on the virus is the virus itself. While conventional thinking says we need a vaccine, there was no vaccine for SARS or MERS, which just vanished mysteriously after they had run their course.

Unemployment has risen and will continue to increase substantially. However, on a percentage basis the vast majority will remain employed. Those who have been laid off are mainly in the service sector and could be re-employed rather quickly as and when things get back to normal.

Those who are lucky enough to have steady, well-paid jobs will have rather a lot of accumulated savings given that there has not been much to spend money on. Once confidence returns that spending fire-power will be deployed.

Central banks have pumped unprecedented amounts of stimulus into the system but can and will do more.ⁱ Governments have also joined in, though they need to do more. It is way cheaper in the longer term to fuel the recovery now via stimulus than to have a weak and prolonged recovery in the future.

Markets take great delight in wrong-footing the maximum number of participants. Looking at the AAI Investor Sentiment Surveyⁱⁱ below, in which bullish sentiment on the part of individual investors is near 2008 lows, the maximum pain trade would be for markets to continue their upward trajectory.



Source: Bloomberg, American Association of Individual Investors, Sentiment Survey Bullish Readings; data represents what direction members feel the stock market will take in the next six months, 1 January 1986 to 30 April 2020.

We are starting to see some kind of return to normality on a sequential basis. Those countries that the virus hit first are the first ones out. Manufacturing in China is starting to rebound, though for this to continue there will need to be demand in other parts of the world.ⁱⁱⁱ

Markets are discounting mechanisms that look three to six months ahead, while at the moment most investors are just focusing on the here and now or the very immediate future.

Businesses and human beings adapt in order to survive. We have already seen restaurants moving towards a takeout and delivery model. How long will it be before they move to a contained booth model?

Hairdressers and beauty salons have been rather quicker on the uptake. Two days ago I went for my first

haircut in more than a month. Everyone wore masks and gloves, and everything was disinfected. At no point in time did I feel at risk and my only downside was not having an espresso, which was no big deal. I gave the hairdresser a tip of 50% because I know that the service industry has been hard-hit and now is the time to be generous if we want our local businesses to survive.

While there have been some very bold pronouncements on how things will change permanently, I am not so sure. But I do believe that many companies across the world will question how much office space they really need, which will impact commercial property and rent prices.



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ⁱ <https://www.reuters.com/article/us-health-coronavirus-economy-factbox/factbox-global-economic-policy-response-to-coronavirus-crisis-idUSKCN21W2AJ>

ⁱⁱ <https://www.aaii.com/sentimentsurvey>

ⁱⁱⁱ <https://www.bloomberg.com/news/articles/2020-03-31/china-factory-rebound-hints-worst-is-over-as-stimulus-lies-ahead>

FINANCIAL PLANNING

Investment philosophy

A love of wisdom is the literal meaning of philosophy. This is a wonderful concept. Love and wisdom are inextricably linked: wisdom is attained either thanks to, in tandem with – or precisely because of – love. Or is it the other way around? It's difficult to say. There is of course a lot of room for individual interpretation. Translated simply, the meaning of philosophy is the pursuit of truth about human existence, life and the world in general. Understanding and interpreting: these elements are certainly helpful to us in the financial sector.

What is your personal philosophy for investing your money? Do you have one?

If you can't immediately think of a definitive answer to this question, don't worry. On the contrary, it is a good idea to take this insight and be a little more philosophical when considering your investments, especially in times like these. Forget the multiple-choice questionnaire that you are probably asked to complete every year either orally or in writing to determine your investment strategy. Wouldn't it be much more interesting to think about your values, beliefs and life goals?

We would like to help you answer these and other questions in developing your own personal investment philosophy. Obviously, your risk appetite and ability to tolerate risk will form the cornerstones of your investment philosophy. We will clarify these aspects on a holistic and structured basis throughout the course of your personal financial planning, while taking the overall wealth and tax implications into account. However, we would also love to talk to you in depth about your beliefs and values. We are interested in what your goals are, the motivation behind them and what you would like to pass on to your successors. We would like to know what makes you happy or sad, what changes you anticipate and where you see opportunities and risks. Overall, our aim is to really understand your way of thinking.

If we can achieve this together, you will soon have an answer to the above question about your personal investment philosophy. The answer will provide all the

reassurance you need – especially in times of upheaval and change – knowing that your investments are always in line with your own values, beliefs and life goals. I would even go so far as to say that you will have greater peace of mind on a day-to-day basis so that you can focus on the truly important things in life. Possibly even love and wisdom?

What do you think? We look forward to exchanging inspirational ideas with you.



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FIDUCIARY SERVICES SWITZERLAND

Properties held by a community of heirs

Upon the death of the testator, by law pursuant to Art. 602 of the Swiss Civil Code [ZGB] the heirs form a community of heirs, also referred to as a «community with a shared fate». They have joint ownership of all the testator's assets on an undivided basis, and they can only make decisions on what happens to these assets jointly and unanimously.

In the cantons of Zurich, Aargau and Glarus it is also the heirs' responsibility to dissolve the community of heirs by dividing up the assets bequeathed to it. The heirs receive no support from the public authorities to do this. As well as having to deal with grief, heirs often face complex legal issues that prove to be too difficult for many relatives of deceased persons. In addition, if the heirs cannot reach a unanimous decision on how to proceed, the division of the assets bequeathed to them may be postponed almost indefinitely.

Properties often form part of estates in Switzerland. The following challenging situations that can and do arise in practice illustrate how this is often a burden and a blessing at the same time. The heirs cannot agree on whether they should sell or rent out the property. They have very different ideas as to the price they believe the property should fetch, or several heirs wish to take over the property themselves. This frequently results in disputes that can drag on for years. During this time, the house is generally vacant. Meanwhile mortgage interest and maintenance costs continue to accrue, shrinking the value of the inheritance. If no agreement is reached and one heir applies to the courts to decide on how the estate should be divided, the judge may order a judicial sale or a compulsory sale by public auction. As this is unlikely to be in line with the wishes of the deceased, these matters should be discussed with future beneficiaries in good time. Ideally, a corresponding inheritance contract should be signed while the person who will subsequently make the bequest is still alive. But what should be done if no such contract can be drawn up because those involved are already at odds over the future inheritance?

One way out of a tricky situation like this is for the owner to include a partition clause in his or her will specifying which heir may take over the property, with the respective value being offset against his or her share of the overall inheritance. Appointing an independent executor in a will or an inheritance contract can also take some of the burden off the heirs, as the executor can assume the role of an intermediary in winding up the estate and adopt an objective approach. An inheritance dispute can also be avoided by selling the property before the testator dies or including instructions to sell the property in the will.

If the heirs agree to sell the property to a third party as part of dividing up the estate, any change of ownership and capital gains taxes that may be payable need to be borne in mind. If the property is taken over by one of the heirs, capital gains tax is initially deferred. However, when the estate is divided up arrangements can and should be made for this deferred tax as well as any rights of first refusal and entitlements to profit shares. Ideally, these arrangements will be specified within the scope of a contract setting out the partition of the estate, which as well as allocating the property to an heir also determines how all the remaining assets bequeathed should be divided.

If you would like to address the issue of succession planning or if you yourself are a member of a community of heirs in need of support in winding up an estate, it is worthwhile seeking professional advice.



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TRUST & CORPORATE SERVICES

It's never too early to start saving for retirement

swisspartners Marcuard Heritage group (Switzerland, Cyprus, Singapore)

In the current challenging environment, it is important that you are well placed to provide for your family should something happen to you.

We would like to share some thoughts with you during this difficult time about aspects you may wish to consider to ensure that your family can enjoy the wealth you have worked hard to achieve for many years to come.

Succession planning

Do you already have mechanisms in place to transfer your wealth to your family if an unexpected event occurs? It is important to make sure that you have a clear system in place to allow your heirs to deal with the consequences in such a way that the ownership of your assets can be transferred to them without any lengthy or costly legal processes.

Incapacity

What would happen if you became unable to work? Who would take important business decisions and deal with medical or other emergencies if you were unable to? A living power of attorney or other suitable instrument involving a professional who is close to the family could help.

Estate planning

A private trust can help you and your family protect your assets from third parties. It also helps to provide for the needs of your family in an emergency, whether for medical and educational purposes or any other special requirements. Bankable and non-bankable assets can be transferred into a trust during your lifetime to ensure that the family's needs continue to be met using the services of a professional and licensed trustee. This can also include a provision to allocate funds for any

particular charitable purposes that you wish to support. In addition, life insurance can be utilised to plan for your family's future.

Will

For those who do not have a will, the local law of the country in which you are resident will dictate how your assets are divided between family members. If you have a will, but spend time in other countries, or own property abroad, or have citizenship/residency status in another country, it is important to ensure that the will is regularly updated so that it remains valid to cover all of your assets.

Wealth consolidation and reporting

We understand that high net worth individuals are likely to diversify their assets across various categories such as private equity, real estate, trading businesses, bankable assets etc. This may make it difficult to keep track of what or where the assets are and how they are performing on a global or consolidated basis. We strongly believe that consolidated reporting can assist in giving you a clear overview of what or where your assets are and how they are performing.

Citizenship/residency

Depending on where you live, you may not be able to travel easily. Having this freedom could help to mitigate unforeseen consequences. Countries such as Switzerland, Cyprus and Singapore welcome entrepreneurs and their families and offer various programmes to attract such individuals and their families to take up residence in the respective country.

Health check

It is important to review your affairs on a regular basis in order to keep everything up to date and ensure that it is still fit for the intended purpose.

We look forward to hearing from you if you are currently affected by any of these issues and would be happy to discuss possible options with you.

Please contact us for a free consultation



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