

Not Just For The Rich

Everyone has heard tales of wealthy individuals moving their millions of dollars offshore -- people like the Irving Oil family readily come to mind. Well known corporations have also exploited the benefits of offshore tax havens, including Barrick International, Intel, London Life, Trilon International, and many others.

Even the famous E.P. Taylor (founder of Argus Corporation) was involved in an offshore venture. He developed Lyford Cay in the Bahamas, now home to many famous people such as Sean Connery.

So that's great for the multi-millionaires (and 007), but what about the average individual who doesn't have millions to invest? Is it affordable for an individual to move a portion of his or her assets offshore? And more to the point, why would he or she even think about doing so?

In this article, I'll try to answer some of these questions. But before looking at the costs involved, I'll first cover some of the reasons why more and more people are going offshore.

Financial Privacy

Everyone has the right to privacy in their personal and business affairs -- which is why more and more people are placing their assets offshore, where strict secrecy laws protect their right to financial privacy. This right to privacy helps defend those assets excessive taxation, frivolous litigation, marital break-up, and government red tape. Others believe that financial privacy significantly reduces an individual's financial profile to discourage fraud, theft, and even kidnapping.

Financial privacy is also important to businesses that wish to keep certain assets and financial information away from competitors, suppliers, and customers. For example, by keeping certain assets private, a business may be able to protect trade secrets and reduce the likelihood that a competitor will pursue frivolous litigation.

In many tax havens, secrecy laws protect the confidential financial information held by banks, trust companies other financial institutions, lawyers, and accountants. In fact, in some tax havens it is not only a criminal offence to release confidential information, it is also a criminal offence to even ask for information.

Tax Savings

Those who reside in Canada, the United States, Germany, France, Britain, and Japan are some of the most highly taxed people in the world. Governments have managed to increase taxes to the point of diminishing returns, pushing ordinary citizens almost to the point of tax revolt. It is estimated that if the underground economy was a business, it would be the single largest business in many of these high-tax countries.

“Anyone may so arrange his affairs that his taxes to be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one’s taxes.” -- Federal Judge Learned Hand, Gregory vs. Helvering, 1935.

Courts have ruled time and time again that people can plan their affairs so as to pay the minimum amount of tax possible and that the taxpayer may use any legal means to do so. Even if you can not completely eliminate taxes through offshore investing, you will discover many ways to reduce taxes or defer them to some later date.

Asset Protection

Asset protection is becoming more and more important as the number of lawyers who specialize in litigation increase every year -- a sad, but very true observation. Offshore investing can protect certain assets from lawsuits, creditors, divorce, bankruptcy, and even the sticky fingers of the federal tax department.

Those who are business owners find themselves to be sitting ducks in the “lawsuit line of fire.” The risks are even greater if you are a doctor or other professional who is dealing with the public. All you have to do is run into the wrong person at the wrong time and your assets are history.

For this reason, if an individual’s investments are held offshore, in a jurisdiction that does not recognize a foreign judgement, the likelihood that a creditor will pursue frivolous litigation is often minimized. At the very least, you will have maneuvered yourself into a stronger bargaining position in which to negotiate a possible settlement with the creditor.

Protection from our Governments

We can’t always expect our governments to make wise decisions. In fact, we can not even count on the stability of many nations around the world. It is an unfortunate fact that countries such as Canada, the United States, and many others are debtor nations.

Despite the efforts of the politicians, debts and deficits are growing daily. History has shown that prosperity cannot continue in this type of environment. Examples include the fall of the Roman Empire, the French Revolution, and the American Revolution which led to the creation of the United States. Only time will tell whether these high-tax, high-debt, and high-deficit policies will hurt us in the long run. In the meantime, some might think it’s a good idea to keep their financial assets offshore.

Lifestyle Choices

Many have been investigating tax havens over the years for reasons other than the financial benefits. Both the climate and the quality of life is very pleasing in many of the world’s tax havens. An added bonus is the fact that by retiring to a suitable tax haven, you may be able to make use of the funds contained in their offshore investment account without paying any taxes at all.

Conclusion

So, do the numbers make sense? In time, as the offshore funds are allowed to grow, the annual tax savings will become significant.

It would be logical to conclude that investing offshore makes sense if you have \$20,000 to invest. It may be foolish not to invest a portion of your funds offshore when you have \$100,000 or more.

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