

Foundations in UAE

– Benefits

Foundations are designed to help High Net Worth individuals, entrepreneurs, and families overcome challenges of holding assets in their own name and ensure an enduring legacy. Here we explain the benefits of setting up a Foundation and how they work.

Issues with own-name ownership

No asset protection

Assets held in personal names are readily accessible to creditors, governments and/or other family members who might otherwise have claims against the family.

No privacy

The names of the family members directly appear as the owners on all official documents (e.g. title deed, licenses, etc.) and on the registers of registrars of companies, land registries, etc.

Probate related problems

(following the death of a Family Member)

- Lengthy and complex UAE court proceedings.
- Unfavourable distribution to direct heirs e.g. spouses, daughters, etc.
- Dispute amongst heirs (children, siblings and other relatives).
- Dilution of the value of assets built up over many years.
- Freezing of family personal and business bank accounts.

No tax planning

Any family member may be subject to tax on worldwide wealth (including UAE based assets) when relocating to another country. Any subsequent transfer of UAE assets once family members relocate to another country may give rise to inheritance tax and/or wealth transfer tax.

Solutions offered by a Foundation

Protection of family assets and heirlooms

A Foundation's assets are not readily accessible to creditors, governments and/or other family members.

Privacy

The beneficiaries of a Foundation are private so the founder's family wealth can be managed more discreetly. This brings a number of advantages:

- Minimises the risk of claims/judicial actions from third parties against the founder and their family to extort a monetary benefit/settlement.
- Increases bargaining power when negotiating business deals and acquiring assets.
- Reduces the risk of being targeted and befriended by unscrupulous individuals.
- Avoids uncomfortable discussions around pre-nuptial agreements for the founder or heirs.
- Facilitates inter-generational legacy planning and wealth protection objectives, particularly where the family is internationally mobile with assets in multiple jurisdictions.

Family governance

Foundations provide an effective corporate governance framework (similar to a company or single-family office), which allows for wealth to be managed in a professional manner to benefit the founder and their family.

Effective succession planning

A Foundation enables the Patriarch/Matriarch to set out his/her wishes on what is to happen after his/her demise and provide assurance that the assets (and/or their benefits) will be distributed as per the wishes of the founder under the terms of the Foundation.

Establishing a legacy

Through a Foundation, the founder's goals and vision can continue in perpetuity.