A portfolio of passports' sounds like something out of The Bourne Identity — but it helps you want to escape disagreeable political, legal or lifestyle conditions, says David L. Slesperance.

It becomes commonplace now to state that the 'world is flat', as The New York Times columnist Thomas L. Friedman says in his recent book of that name, computers and new communications technologies have broken down cultural walls and erased international borders, making it easy for human beings to converse and collaborate from any point on the planet. Yet this world still has walls. I refer of course to the walls raised by governments to reduce mobility, and erode rights and wealth. What happens when Friedman and the rest of his baby-boom cohorts discover that their governments continue to levy increasingly punishing taxes for 'eliminating widespread poverty's disparity'? What happens when courts continue to decide that litigants are more entitled to their wealth than the creators of that wealth?

Whether it is odd-ball taxpayers in Manhattan or anxious non-doms in Mayfair, many of the world's most affluent are starting to realise that everyone wants to pick their pocket. As one of my clients told me, 'Fair taxation in a democracy is like nine wolves and a sheep voting over what's for dinner.'

When the wealthy discover the world isn't flat, they have to adopt a new mindset to deal with the threats and also take full advantage of the opportunities presented. This strategy involves creating a 'passport portfolio'. Simply put, it is a combination of residences, domicile and citizenship that mitigates risks and maximises opportunities.

The creation of a successful passport portfolio requires a person to move beyond the idea that it is somehow inappropriate for them to regain control over their lives by not benignly accepting the citizenship and residence bestowed upon them through the randomness of their birth. Just as no intelligent investor would put all their assets in a single stock or bond, diversification of residence and citizenship allows an individual to spread risk, react to changing world conditions and arbitrage opportunities between countries. One would never step in to think that selling one stock to purchase another was disloyal.

As in financial planning, the creation of a passport portfolio first involves an examination of where the individual is currently at, and their current road map must be set out and implemented. Unlike buying securities, changing or acquiring residence or citizenship is a complex process. It also takes longer to execute the strategy than it does for the sands of government policy to shift under your feet. Therefore, those who are successful plan for possibilities rather than react to changed conditions.

Take the recent non-dom tax controversy in Britain. For over a century, the UK has enticed wealthy foreigners to reside at the centre of the Empire. The Crown avoided taxing these residents on income and capital gains assets. Due to last-minute backpedaling, the non-doms are now on probation, so to speak. While the debate about the extent of the damage will continue for years, by the unilateral moving of the goalposts the players no longer have any illusions about the stability and fairness of the game that they had initially volunteered to play.

Adding to the heightened nervousness is the recent spotlight on the UK's current family-law regime brought about by the Mills v McCarthy divorce. Since Ms Mills was awarded £2.3 million following the breakdown of her four-year marriage, I have been fielding many more inquiries from British ultra-high-net-worth residents about obtaining residences in countries with much kinder, gentler divorce laws.

Far from the 'idle rich' of legend (and opinion pieces), these non-doms are bankers, industrialists and philanthropists who've done a great deal for the UK by bringing their intellectual, philanthropic and investment capital from their home countries. Now the best of them have either left, are in the process of leaving, or are thinking of leaving. So accountants, solicitors and family offices all over the City are being bombarded by nervous non-doms who want to know their options, and it's therefore essential to add to the team an adviser who has long experience in implementing global strategies that are client-specific and appropriate.

One size never fits all. Dublin and Geneva are lively financial communities with less intrusive legislatures, but not much social life. Luxembourg is a bit better but you still have to spend much time there. Numerous options, rules, loopholes and tricks of the trade, unique to each jurisdiction, exist.
ABOUT THE AUTHOR

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David S. Lesperance is Managing Partner of Lesperance & Associates, based in Toronto. He specializes in helping High Net Worth individuals acquire residency or citizenship to fulfill personal, tax or estate-planning objectives. He recommends that today’s affluent, mobile elite adopt a “Passport Portfolio” approach to citizenship and residency, to ensure the ongoing safety of their assets and their families.

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