

INFORMATION LINE

Vol. XXIII, Issue V

November/December 2005

Now You Can Take Your IRA to Switzerland

By Mark Nestmann

In August, I spent five days in Zurich with Swiss money manager Robert Vrijhof, founding partner of Weber Hartmann Vrijhof & Partners Ltd. Rob treated me as he does any client (even though I'm not), picking me up at the airport in his Mercedes, dropping me off at my hotel, and even driving me to a meeting in Vaduz, Liechtenstein, 90 minutes from Zurich by car.

Rob, Rene Schatt (Rob's right-hand man) and the WHVP team manage about US\$120 million for more than 150 clients, many of them U.S. based. WHVP follows a conservative money management approach and focuses on individual securities traded primarily in European and Asian markets.

Because WHVP has so many U.S. clients, Rob explained, they were frequently asked whether the company could manage money in Individual Retirement Accounts. After consulting with U.S. legal counsel, they discovered that it was indeed possible for U.S. persons to take their IRAs offshore with WHVP.

Rob explained to me how the process works:

"First, you contact us and let us know that you are interested in having our company manage a portion of your portfolio (our minimums start around US\$300,000), and that the money you are considering using for this purpose is in an IRA. You need a self-directed IRA—one in which you are permitted to make the investment decisions, or hire an external portfolio manager.

"Next, we schedule a time to talk things over to see if our investment philosophies are compatible. We suggest that you come to Switzerland and meet us personally but this isn't mandatory. We're conservative in our investment orientation and see our goals as first preserving, and secondly growing, your capital. At the same time, we're flexible in that we can often tailor our management style to your preferences. For instance, if you are interested in owning mainly conservative income generating stocks

and bonds, we can build a portfolio around these core elements with very few limitations (due to the nature of IRA accounts).

"Once you complete the paperwork to open an account managed by us, the U.S. trustee for your IRA will open an account in your IRA's name at a solid private bank we work with. We decided to find a trustee on our own because some of our clients told us they were having difficulty convincing their own IRA trustees to allow their IRA to hold an offshore bank account."

That about sums up the process. But, perhaps I'm getting ahead of myself. Why might you want to take your IRA offshore to begin with? Mainly, for the same reasons that you should consider moving other "nest-egg" assets offshore:

First, to diversify your assets outside U.S. markets and (crucially) outside the sinking U.S. dollar. Most U.S. brokers and financial advisors can't or won't focus on a non-U.S. investment strategy. I'm not saying you should put 100% of your assets offshore, but it's certainly prudent to create one or more international nest eggs. I call this the "lifeboat strategy" because by investing offshore, you are creating "lifeboats" of wealth that are only protected (at least in part) against turmoil in U.S. securities markets or further decline in the U.S. dollar.

But that's just one benefit...there are more—

Second, offshore investments makes your wealth less visible. If someone is sizing you up as a target for a lawsuit, these assets won't show up without some digging. Don't think offshore wealth is invisible, though. It's not, and there are tracks to follow, if you know where to look (and the IRS does!) That's especially true in an IRA, which must at all times be 100% U.S. tax-compliant. But what you will avoid with offshore investments is the growing network of companies advertising the ability to identify U.S. assets, including account numbers,

account balances, and much more. That's especially true if you do business in Switzerland, with its strict bank secrecy laws.

The third and potentially most powerful benefit is that the assets you hold offshore aren't subject to disruptions in U.S. markets. After the horrific Sept. 11, 2001 bombings, U.S. financial markets were closed for four days. During that time, no one could trade stocks, bonds or mutual funds listed on U.S. exchanges. In contrast, if you had assets safely stowed in a secure, neutral country like Switzerland, you or your money managers could continue trading any foreign securities you owned, as the Swiss markets continued to function in the wake of the attacks.

There's more, much more, and Rob and his team at WHVP can give you the details, whether you're interested in just opening a bank account in Switzerland, or wish to discuss having WHVP manage assets that you own personally, in a company or trust, or in an IRA.

Contact:

Robert Vrijhof, Weber Hartmann Vrijhof & Partners Ltd.
Zurichstrasse 110-B, CH-8134 Adliswil Switzerland
Tel: +41-44-709-11-15 Fax: +41-44-709-11-13
E-mail: whvp@active.ch
Link: <http://www.whvp.ch>

(Mark Nestmann is president of The Nestmann Group, Ltd., a consultancy assisting high net-worth individuals to achieve wealth preservation solutions. In October 2005, Nestmann was awarded the degree of Master of Law (LL.M.) in international tax law from the Vienna University of Economics and Business Administration in Vienna, Austria. You can contact Mark at assetpro@nestmann.com or visit his Web site at <http://www.nestmann.com>