

An Offshore Plan: The Ultimate Insurance Policy

“Offshore”: The word conjures up images of something illicit, doesn't it? That's because governments around the world have done their best to brand the term as something that is *evil* and unpatriotic. After all, only rich white men who don't pay their taxes need to bank offshore, right?

The mainstream media has toed the line, reporting on dodgy tax evaders who had set up bank accounts in Switzerland, or Ponzi schemers based overseas.

Frankly, this is all nonsense. “Offshore” is not about fraud or tax evasion, it's about protection. If you live, work, bank, invest, structure you business and hold your assets all in the same country, you have all of your eggs in one basket. This is not advisable.

If just one thing goes wrong – you get sued, the government reckons you're behind on your taxes, some insane law is passed outlawing precious metals (it's happened before), exchange controls are implemented or the currency your assets are denominated in takes a nosedive – your assets could be toast in the blink of an eye.

You can reduce these risks substantially by allocating at least part of your assets overseas. This strategy has three key elements:

- 1. Setting up an offshore legal entity:** The proper use of trusts and corporations creates a litigation and privacy barrier between you and your assets. Basing the entity overseas removes it from the jurisdiction of your home country and may provide tax savings if you own a business.
- 2. Opening foreign financial accounts:** No court or government agency in your home country has jurisdiction over a foreign bank or brokerage. So any assets that are tucked away overseas are much safer from lawsuit, regulation, exchange controls and currency devaluation.
- 3. Buying foreign property:** Property is one of the best ways to transport wealth. Ownership of foreign property is not reportable, and well-purchased real estate can be great for both investment and personal use.

These strategies aren't just for the rich; they make a lot of sense for most relatively well-off, mobile Americans. In fact, I consider a proper offshore structure to be the ultimate insurance policy: It gives peace of mind and rock-solid protection of assets.



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Now, the world is a big place, and there are a lot of countries in which you may want to consider setting up a financial presence. Having traveled and done business in nearly 100 countries, few jurisdictions rank as highly, in my opinion, as the Republic of Panamá.

For a start, the most important thing you can ask for when selecting an offshore jurisdiction is economic and political stability – you don't want to put your money somewhere that's brimming with revolution and crisis. And Panamá is one of the most stable countries in the Western hemisphere.

The last real political instability in Panamá was when Noriega got ousted by the U.S. military in 1989. Since then, Panamá has been a stable democratic republic whose leaders have at least been smart enough to not do anything too stupid. And the current president, Ricardo Martinelli – an ultra-wealthy retail mogul – is popular for his anti-corruption and pro-business policies.

Economically, the country could hardly be on better footing. The Panamá Canal was bequeathed by the U.S. in 2000 (thank you, Jimmy Carter), and today it serves as a major source of revenue for the country. It generates more than \$1 billion a year for Panamá, a large chunk for this \$16 billion economy of only three million people.

Foreign direct investment has also been strong in Panamá, from companies such as Dell, HP and Caterpillar, which are attracted to Panama's relatively cheap, largely bilingual work force and the low tax structure.

Plus, Panama's regulatory framework makes it ideally suited to implement the offshore strategies I mentioned earlier. Panama's foundations and corporations are totally private, easy to set up and cost effective. There is no public registry of shareholders or beneficiaries, so the owner of financial assets held by a Panamanian entity is kept private.

With a good attorney, you can establish a new trust or company at a relative low cost, with low annual fees thereafter. And there are no Panamanian taxes due for income generated outside of Panamá. Once a legal structure has been set up, you can establish a bank or brokerage account, often in different currencies, with features such as online wire transfers and international credit cards.

Property is also a great reason to consider Panamá. In the long run, demand for real estate is driven by demographic shifts... and the tremendous wave of expats from North America and Europe moving to Panamá bodes well for Panamanian property.

If you're interested in implementing an offshore strategy in Panamá, you should seek qualified advice from a tax attorney or CPA. But the bureaucracy involved with your home tax authorities is well worth the peace of mind and savings.

Author Simon Black publishes a daily free e-letter called *The Sovereign Man*. For more information, see: www.sovereignman.com