

AUTHOR'S COMMENT

FOR MORE THAN 15 YEARS NOW I have been researching and writing about offshore financial matters — about tax havens, asset havens, offshore banking, asset protection trusts, international business corporations, family foundations — and about the state of the offshore financial world.

Even though I had earned a degree in international relations and a law degree and served eight years as a member of the U.S. House of Representatives, when I began this work I quickly discovered how little I knew about the “offshore” world.

My limited acquaintance with “offshore” had created the erroneous mental impression that many of us harbor after too many Hollywood movies and TV shows.

There, the offshore world was depicted in the sensational shorthand of numbered bank accounts, sinister con men and fraudsters, money launderers, drug kingpins and corrupt foreign politicians taking bribes on tropical islands.

The truth about offshore is far different.

But finding the truth for the first-time offshore adventurer can be a frustrating, discouraging task and, if you get burnt, a very short and unpleasant journey.

The offshore world offers Americans few tax savings, certainly not as many as many slick promoters claim. That's because American citizens and residents are taxed on their worldwide income, while most other nations only impose taxes on earnings within their own territory.

But offshore does offer tax deferral and, most of all, in this lawsuit-happy age, it offers ironclad asset protection and far more financial privacy (and, yes, *secrecy*) than can now be found in the United States and all other major nations.

That's what this book is all about — legal ways to save on taxes, protect

your wealth, invest and grow your money, and find financial privacy and peace of mind.

I will tell you the who, what, why, when and wherefore of the offshore world — based on my own experience, and that of the many experts we work with across the globe, the trusted professionals you'll find listed here for your own use.

Welcome to the offshore world.

Robert E. Bauman, BSFS, JD
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Chapter 1

A SAFE HAVEN OFFSHORE = PEACE OF MIND

{ SUMMARY: Here I explain the reasons for using an offshore haven; the ways and means of moving your assets and wealth offshore to a tax-free or low-tax jurisdiction — places where you can invest with maximum profitability, minimum taxes and much greater financial privacy. }

TODAY, VAST TECHNOLOGICAL CHANGE already has created a new world economic structure.

It's a global system that offers huge financial opportunities based on instant communications, interlinked databases, electronic commerce and digital cash flows. And, in many ways, it has shifted power from the monopoly policies of the nation state to the individual citizen, greatly increasing personal financial freedom and the chance for profit. In turn, this new freedom has caused a reaction by grasping governments everywhere, trying desperately to keep control over their citizens and eager to know what we are doing, especially with our finances.

And yet far too many people don't have a clue about the major financial revolution that has taken place. This book goes beyond the clues and reveals the secrets. It tells you how to profit from these changes and what you can do to reap the benefits.

By now most thinking people understand the meaning of the huge advances in computer and software technology and the vast expansion of the Internet. With digital cell phones and BlackBerries buzzing, today's economic

news travels fast and insider information is no longer confined to Wall Street and the City of London. Nervous waves of news and rumors ripple daily through world time zones and stock markets as 24-hour television covers events live — an example of the irresistible technological advances that have forced a totally new operational reality on financial and banking systems.

All this constitutes the government bureaucrat's worst fear: millions of cell phones and computers linked worldwide, electronic banking and on-line investment accounts, "smart card" money, easily available encryption; free communications, all of it unmediated by governments. An astute observer put it this way: "You get untraceable banking and investment, a black hole where money can hide and be laundered, not just for conglomerates or drug cartels, but for anyone."

You can see why government bureaucrats, especially tax collectors, are frantic. The freedom potential of this new world money system runs counter to all the Big Brother socialist policies that have bled taxpayers and crippled prosperity for most of the last century.

And believe it; government is doing all it can to stifle these liberating trends. But I believe they will fail.

Why Go Offshore?

Until relatively recently, most people thought "personal finance" meant checking and savings accounts, home mortgages and auto loans. Even now, with widely available international offshore mutual and hedge funds — many of them successful even in the face of world economic turmoil — relatively few investors take advantage of worldwide diversification. Among the reasons to go offshore are:

1. **Investment diversification.** Many of the world's best investments and money managers will not do business with U.S. citizens directly. They have made the choice that it is easier to do business with the rest of the world than to comply with the draconian rules of the U.S. government. By going offshore you can gain access to these U.S.-restricted investments. Less than 2,000 foreign securities are traded on U.S. markets, representing a tiny percentage of the securities traded on other world markets. The only practical way to buy these offshore shares is through a foreign bank or broker.
2. **Higher returns.** There are opportunities in the traditional financial

markets, such as offshore mutual funds and London-traded investment trusts with much higher returns than are generally available in U.S. markets. For example, the United Kingdom-based Ecofin Water & Power Opportunities Capital Investment Trust, a split-trust, has gained 437% over the last five years in British sterling, or 474% in U.S. dollars.

3. **Currency diversification.** Investors wishing to stabilize portfolios can protect their wealth against the falling U.S. dollar by simply holding other currencies (such as the Japanese yen or Swiss franc). While U.S. investors can purchase foreign currencies through a few U.S. banks, offshore banks generally offer higher yields, lower fees and lower minimums. Foreign currency opportunities are plentiful, such as earning nearly 13% during 2006 on the declining U.S. dollar versus the euro. For decades, the U.S. dollar has been losing value in relation to stronger currencies. In 1970, a U.S. dollar would purchase 4.5 Swiss francs. Since 1971, the franc has appreciated nearly 330% against the U.S. dollar. In December 2006, the dollar purchased only 1.2 Swiss francs. In 2006 alone the Swiss franc rallied 10% against the dollar. The even bigger movers were the commodity currencies in 2006; they rallied sharply against the U.S. dollar along with gold and other metals. The Australian dollar, a key commodity-driven currency, jumped almost 14% against the dollar during 2006.
4. **Safety and security.** Twenty years ago, the United States experienced a wave of bank and savings and loans failures at a rate unmatched since the Great Depression. In contrast, the offshore banks I recommend in these pages aren't exposed to risky investments such as Third World debt and highly leveraged derivative investments. Further, these banks are located in politically neutral countries that do not engage in offensive, interventionist foreign policy. Thus, they are a much less likely targets for the kind of terrorist attacks that forced the closure of U.S. financial markets on September 12-15, 2001 after the 9/11 terror attacks.
5. **Asset protection.** Lawsuits have reached epidemic proportions in America. If a creditor gets a judgment against you in the state where you live, that judgment may be easily enforced. In contrast, if you invest or bank in a suitable jurisdiction — Switzerland, for instance — you can be configured to be essentially judgment-proof. The prudent use of offshore havens provides U.S. persons with an enhanced ability

to protect assets from the threat of lawsuit, civil forfeiture, business failure, divorce, foreign exchange controls, repressive legislation, lengthy probate and political instability. Going offshore largely avoids the vast U.S. asset-tracking network, which permits private or official investigators to identify easily the unencumbered assets of a potential defendant.

- 6. Financial privacy.** Many people want protection from the prying eyes of business partners, estranged family members and identity thieves surfing the Internet. And financial privacy can be the best protection against frivolous lawsuits that end with big judgments — if you do not appear to have enough assets to justify the time and expense of an attack in a plaintiff’s attorney’s mind, you won’t be viewed as an easy target. Simply put, assets you place “offshore” are off the domestic asset tracking “radar screen.” The United States is one of the few nations lacking a federal statute that protects bank or securities accounts from disclosure except under defined circumstances. Many disclosures that would be illegal in other countries, either under international agreements such as the European Privacy Directive or under national laws guaranteeing financial secrecy, as in Switzerland or Panama, are commonplace in the United States.

These advantages have especially strong application when it comes to placing assets offshore.

More and more people are becoming comfortable with offshore bank accounts that also can be used as investment vehicles. But the use of more complicated offshore techniques, such as the international business corporation (IBC) or a foreign-based asset protection trust (APT) or a private family foundation has been ignored for the most part.

While these methods take a bit more time and effort, they can greatly enhance your choice of financial strategies and their effectiveness. And, in these pages, I will explain these proven strategies and show you how you can use them.

In addition, you may wish to consider relocating your personal residence offshore in a tax haven nation that welcomes foreigners with tax exemptions and special privileges that make life easier and less complicated. I will explain which nations, such as Panama and Belize, offer such inducements and how you can take advantage of them.

Important Privacy

The world now lives in an era when terrorism has been made to be a major concern of every nation. These anti-terrorism policies are manifested in a whole host of national laws that severely curtail financial and personal privacy. These laws were originally premised on fighting drugs and combating money laundering and other crimes. But these laws also have all but abolished any personal or financial privacy — at least for those accused or suspected of crimes of any nature. Governments now have much greater powers in deciding who is “suspect.”

But for the average offshore investor or person otherwise financially active offshore, there is little to fear from anti-crime laws that compromise privacy. So long as you learn and obey the financial reporting laws and tax obligations imposed on you by your home nation, you will remain in the clear. Professional advice will help you in this essential education.

And as I will note repeatedly in these pages, the financial privacy and bank secrecy laws of many nations are still very much stronger than those in the United States. This can be a definite advantage for you — and an added shield for your financial activities.

More Investment Profits Offshore

For more than a decade, the trend has been towards foreign investment. In 1980, less than 1% of U.S. pension fund assets were invested abroad. By 2007 that figure had risen to 26%. In addition to pension funds, mutual funds and stock purchasers, banks have bought into emerging markets in a very big way, especially European and Japanese banks.

“When history books are written 200 years from now about the last two decades of the 20th century,” former U.S. Treasury secretary, Lawrence Summers told the *New York Times*, “I am convinced that the end of the Cold War will be the second story. The first story will be about the appearance of emerging markets — about the fact that developing countries where more than three billion people live have moved toward the market and seen rapid growth in incomes.”

Cross-border investments have proven profitable, despite temporary setbacks. What used to be tagged “Third World” investment funds have become the more appealing “emerging market funds.”

The global economy of today is very different from that of past times.

Finance and technology now dominate the economic scene. On a typical business day, the total amount of money moving in just the world's foreign exchange markets is US\$3 trillion. That's more than 11 times more than the 1986 daily total of \$270 billion. It's also a sum equivalent to the total current world trade for a full four-month period! The volume of foreign exchange trade has increased by roughly 83 times in the last 30 years.

Investment capital has exploded. By 2006, mutual funds, pension funds and other institutional investors controlled US\$30 trillion, 15 times the comparable 1980 figure. Where once autos, steel and grain dominated world trade, now trade in stocks, bonds and currencies reign supreme. The value of world merchandise exports in 2005 exceeded the \$10 trillion mark for the first time and commercial services exports increased by 11% at current prices to \$2.4 trillion.

Wealth has become stateless, cash without a country, circulating wherever the owner finds the highest return and the greatest freedom. From 1970 to 2007, spending by investors in industrialized nations on offshore stocks increased more than 200 times over and national capital markets have merged into one fast-moving, global capital market. As stock markets close in London, they open in New York and as American exchanges end the day on the U.S. west coast, markets in Hong Kong, Singapore and Tokyo come to life.

But far too few Americans realize that information about most of these profitable offshore investments are denied to Americans. Cumbersome rules and regulations imposed by the U.S. government on foreign investment funds drive them away. Unwilling to waste time and money on bureaucratic registrations, most offshore funds will not even do business with anyone with a U.S. mailing address.

Avoiding Roadblocks to Prosperity

This global economic integration continues despite outdated U.S. laws that hinder offshore activity and hobble American investors. One of the main obstacles remains restrictive securities legislation. Any "investment contract" for purchase of a security sold in the United States must be registered with the U.S. Securities & Exchange Commission and often with similar state agencies. This is an expensive process. The U.S. also requires far more stock disclosure by sales entities than most foreign countries, burdening the process further with U.S. accounting practices that differ from those used abroad.

International fund managers are practical people who keep their eyes on the bottom line. Many correctly calculate that operating costs in the U.S.

would wipe out any possible profit margin. Ironically, several mutual funds and hedge funds with top performance records are run from offices in the U.S. by U.S. residents, but do not accept investments from Americans. To avoid SEC red tape and registration costs, investment in these funds is available only to foreigners.

Fortunately, there are ways for U.S. citizens to get around these government obstacles. In these pages I explain how you can access such offshore investments, legally and safely, using offshore entities such as a trust or international business corporation, or even a family foundation, located in a haven nation.

The Exodus Offshore Grows

Much of the revolution in world economics occurs as an escape from leech-like national tax systems that financially prop up dying welfare states. People in ever greater numbers are seeking havens where hard work is rewarded, not punished by wealth confiscation. Places where business is free to make its own decisions, without regulatory predators hovering over every attempt at free enterprise.

The United States offers a good example of this growing emigration trend. Every year, about 250,000 U.S. citizens and resident aliens leave America to make new homes in other nations. Admittedly, this quarter of a million people leaving must be compared with the millions clamoring to get in.

But there's a huge difference in the economic status of these two groups. Those seeking admission are, by and large, poverty stricken persons desperately trying to better their lot with new lives in the Promised Land. They'll settle for low paying jobs, welfare, free education for their kids and U.S. government-subsidized housing and health care.

Those seeking to escape the growing tyranny aimed right at them by the United States government are typically wealthy people. And it is this gusher of fleeing rich people who take with them the lion's share of the U.S. tax base. These are the very people who pay for all of those programs the new immigrants covet.

Increasingly, the problem is that the wealthy perceive, whether correctly or incorrectly, that they are under attack by their own government and they are taking the only rational option left open to them. They're taking their wealth and leaving.