

Liechtenstein; A Solid Hub For Private Wealth Management and Family Offices

"Imagination is more important than knowledge. For knowledge is limited to all we know and understand, while imagination embraces the entire world, and all there ever will be to know and understand." - Albert Einstein



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The Principality of Liechtenstein is not part of the European Union. However, since the 1st of May 1995, Liechtenstein has been a European Economic Area (EEA) member and thus participates in the European Common Market. Together with the two other EEA countries, Norway and Iceland, Liechtenstein is thus one of the cohort of 'third countries' most integrated into European structures. At the same time, Liechtenstein has been linked to the non-EEA member state Switzerland in an economic, customs and monetary union since 1924. Together with Iceland and Norway, Liechtenstein and Switzerland, the four countries are building the remainder of the European Free Trade Association (EFTA), an intergovernmental organisation set up in 1960 by its then seven Member States to promote free trade and economic integration between its members.

In June 2021, the author of this article wrote a piece for Executive Global Magazine on the history of the Principality of Liechtenstein and its golden path to prosperity. Liechtenstein; A Golden Path to Prosperity for the spring/summer edition of the Executive Global magazine (link: <http://C:/Users/HP/Downloads/Executive-Global-Juni-2021-Liechtenstein-a-Golden-Path-to-Prosperity.pdf>). Among the many advantages, he pointed out, a solid and binding regulatory framework seems critical for any financial centre offering private wealth and family office services.

Any sensible national economy moves in the triad of freedom, peace and prosperity. *Freedom and prosperity are closely linked.* Freedom in a constitutional state and as a private law society

of potential and actual owners is a society that supports its citizens in creating and maintaining prosperity. A society of free people will be a prosperous society in the long run. Prosperity not only means access to material goods and services but also to human freedom. It includes general well-being, peace, security, independence and the chance to participate in society. The Principality of Liechtenstein has created and offered almost ideal conditions for its population over the past few decades. *Freedom, peace and prosperity are a cornerstone of these conditions.*

THE ADVANTAGES OF LIECHTENSTEIN

Furthermore, the liberal-conservative and long-term oriented political orientation, the strong connection to the European Union, thanks to its participation in the EEA and EFTA, as well as the solid and binding European regulatory framework for financial markets, and its connection with the stable currency environment of the Swiss Franc all combine to create a unique condition for successful providers of financial services and other businesses. The Principality of Liechtenstein has solid elementary as well as secondary schools. With the University of Liechtenstein among



THE LICENSING PROCESS FOR OUR COMPANY TOOK ROUGHLY 18 MONTHS. ON THE 13TH OF JUNE 2013, WE RECEIVED OUR LICENSE AND INCORPORATED INCREMENTUM AG.



others, studying in the country is also possible. *It is one of the wealthiest countries on earth with no national debt, and despite its affiliation with Europe and Switzerland, sovereignty is essential to the Liechtenstein people, which is why they never joined the EU.* The idea that 'the more extensive and more diverse the state, the less influence the people will have', seems to have been a concept that has imprinted upon the population of Liechtenstein, unlike the broader population of the European Union.

The spiritual fathers of modern Liechtenstein realised early that no social safety net could be built without monetary means and that any state has such monetary means only when its economy is functioning. They installed incentives to maintain a flourishing economy, such as competitive tax laws or allowing its communities to secede, thus granting them ultimate self-determination under the country's constitution. Some short-term political trends may seem very tempting, as they promise votes- at least in the short-term. But in the longer term, as can be seen with various examples of Western economies, they usually lead to a reduction in competitiveness and thus as a result, less prosperity for the country's population. Looking at long-term cross-border movements of human and financial capital offer a good insight into any economy as both human and



financial capital go where it pays to invest labour and/or capital. For decades, the tiny principality has attracted human and financial capital and offered (by far) more jobs than it has inhabitants. Liechtenstein has a healthy social market economy, follows a strict budget discipline and is open for business but not at any price.

When the founding partners of Incrementum AG decided to apply for a license to build and incorporate an asset manager under the European Financial Markets law, all of these motives spoke in favour of Liechtenstein over any other European destination. The licensing process for our company took roughly 18 months. On the 13th of June 2013, we received our license and incorporated Incrementum AG. We celebrated with various events, reaching our first ten years at Incrementum AG this year. During these past ten years, we have become acquainted with even more advantages by owning a business in the Principality of Liechtenstein. Above all, we are always impressed by the flat hierarchies, the short paths to decision-making and the helpfulness of business partners and the authorities. As I have mentioned many times, *the perceived political structural inertia of numerous Western democracies seems far less pronounced in Liechtenstein.*

Today, Liechtenstein is a modern financial centre with a conservative, friendly and yet

competitive edge. It offers global banking and asset management services, and one hundred independent asset managers call it its home. Probably also thanks to the small size of the financial centre, personal contact with clients and business partners is valued, lived on a daily basis and sometimes even celebrated.

THE PERFECT LOCATION FOR BUSINESS

However, nothing comes for free, and Liechtenstein sure is an expensive place for local financial market participants. Rents, labour costs, general services and European financial market regulations are investment- and maintenance-intensive. Since financial services are not tied to one location, fee structures compete internationally. My partners and I see this as a feature and not a bug, as high local costs and internationally transparent and sometimes low fee structures force us, as well as our competitors, to run lean, efficient and competitive companies, which we believe in the end is an advantage for customers and investors. Furthermore, *Liechtenstein's proximity to Zürich offers access to one of the most essential and efficient financial market centres*, a highly competitive labour market as Zürich offers some of the best-trained and educated financial markets specialists and last but not least, one of the best international

airports in Europe. In combination with the aforementioned access to clients of the European Common Market, investors and business owners find themselves in a unique position.

To once again reference the quote from Albert Einstein at the beginning of this article; imagination is more important than knowledge. For knowledge is limited to all we know and understand, while imagination embraces the entire world, and all there ever will be to know and understand, I somehow have the impression that the founding fathers of modern Liechtenstein, thanks to the political opening into a democratic state at that time with the blessing and support of the Princely Family, had *much imagination*- perhaps even more than actual knowledge to be able to allow this small, modern and extraordinary state to develop. **EG**

For further information, please visit:
www.incrementum.li

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