

A global lifestyle? Only with the right passport

Why wealthy people in particular want to enjoy the luxury of a global lifestyle.

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Passports and the question of citizenship

Wealth opens a lot of doors around the world, but even the wealthiest person needs the right papers if they want to travel freely from country to country. The best passport to have, according to the current Visa Restriction Index compiled by Henley & Partners, is the German one, which can be used to travel visa-free in 177 countries.

USA in fourth place: the best non-EU passport

In second place comes Sweden, followed in joint third by Finland, France, Italy, Spain and the United Kingdom. The first non-European country on the list, in fourth place, is the USA, which shares this position with Belgium, Denmark and the Netherlands. Japan and Singapore are the Asian countries with the most versatile passports: they, like the Australian one, will get you into 173 countries without a visa.

Top 5 passports

Germany

Sweden

Finland, France, Italy, Spain, UK

Belgium, Denmark, Netherlands, United States

Austria, Japan, Singapore

Source: Henley & Partners

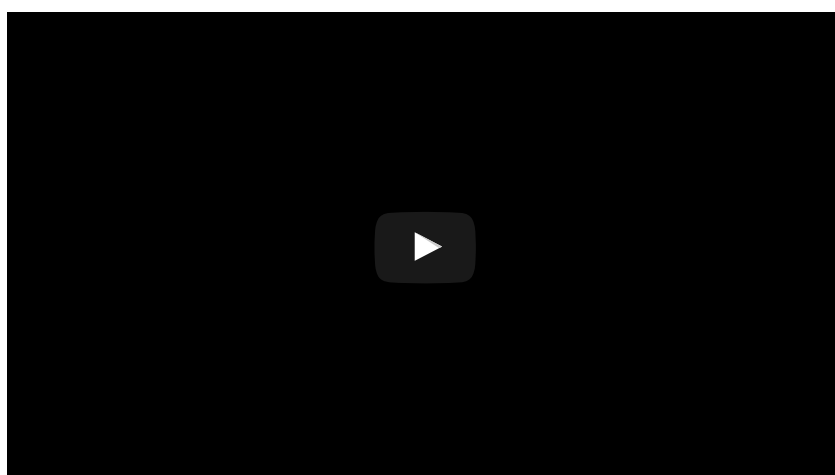
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Benedikt Kaiser

As a partner at Kaiser Partner, Benedikt Kaiser concentrates mainly on US business and building up the Multi-Client Family Office. He has developed residency and citizenship solutions for numerous wealthy people and their families. When doing so he always takes full account of the client's economic interests, security needs and individual lifestyle.

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Travel is privilege – security is a basic need

In a globalized world, wealthy people in particular want to enjoy the luxury of a global lifestyle. People who find that their nationality creates major bureaucratic hurdles when they travel may be especially interested in obtaining a passport that gives them more freedom of movement. "Wealthy Eastern Europeans and Asians, for example, would like to travel more freely and spontaneously without having to make lengthy and expensive visa applications," says Till Neumann, an expert in citizenship and residence planning.

Individuals, or often whole families, may also have other reasons to be interested in the issue of citizenship. "Many wealthy people want to explore the possibility of residing long term in a particular country," says Benedikt Kaiser, partner at Kaiser Partner. Depending on the country, a passport can also provide access to other states; citizenship of an EU member state confers the right to live in any country within the Union. "Especially for people threatened by political, religious or ethnic persecution, a second passport offers important practical and psychological support. Citizenship brings greater security than a simple residence permit, as well as qualifying the holder for diplomatic services abroad," adds Kaiser, who is an expert in family office services.

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Much to be considered when acquiring citizenship

When Benedikt Kaiser helps wealthy people acquire additional citizenship, the discussions he has with them tend to cover many different themes. "We have to work closely together and approach the issue of citizenship from various angles. We talk about issues like tax, individual security needs and personal conceptions of freedom, plus language, political and legal aspects and local practices and customs."



CBI programs are perfectly respectable

Some countries have offered "citizenship by investment" (CBI) programs for many years. These include, for example, Antigua and Barbuda, Malta, Vanuatu and Cyprus. Till Neumann believes that these CBI programmes "are now viewed as perfectly respectable". One reason for this is that these programs have a proper legal framework, providing the legal certainty that an applicant needs. The relevant laws also include extensive requirements that applicants must meet: "Compliance with the increasingly strict rules set by the responsible authorities is essential," warns Neumann. "Impunity is essential, and even negative media reports about an applicant can prompt the authorities to reject an application. This is particularly likely if the authorities believe that granting citizenship could put the reputation of the citizenship program and the country at risk."

US citizens, but also more and more and more Western Europeans, have started to explore the possibilities. Many of them feel that tax regulations or banking compliance restrictions are interfering disproportionately with their right to privacy.

Taking a new or additional citizenship is usually the kind of thing you will only do once in your life, so it's essential to compare the CBI programs available around the world carefully and consider the various options they include. "The standard investment options are property, donations to a state fund, company start-ups or government bonds," says Neumann. "The amount you have to invest varies depending on the country, size of family and type of investment." In his experience these programs are unproblematic in one sense at least: "In most cases, adopting the citizenship of a state that offers a CBI program will not have an effect on tax obligations, residency issues or military service."

Outside of such programs, however, problems can occur, says Benedikt Kaiser: "US citizenship, for example, brings financial disadvantages to a lot of people because of the taxation of worldwide assets – regardless of whether one lives in the USA or not."

Let's take a look at two popular CBI programs:

St Kitts & Nevis – Caribbean gateway to the Schengen area

The former British colony of St Kitts & Nevis is viewed as a pioneer in the development of citizenship programs. Since 1984, it has been possible to acquire citizenship of the Caribbean island state by investing. It is a pioneering program; once you have the passport, you can travel without visa to 132 countries and, since 2010, gain access to the Schengen area. St Kitts & Nevis also has a special tax environment, with no income or capital gains tax. This can be advantageous to wealthy people as part of a proper financial and tax plan.

Till Neumann says that a family of four would expect to pay one-time, non-refundable costs of around USD 350,000 in St Kitts & Nevis. If they decided to go for property investment, the one-time costs are about USD 175,000, plus a property investment of at least USD 400,000. "The property can be rented out, and it can't be sold again for at least five years," Neumann explains.



An option that opens many doors in the EU: Cyprus

Cyprus also offers a CBI program. "Over the last couple of years, there has been an increasing trend in non-EU nationals obtaining Cypriot citizenship by way of investment," says George Economides, an expert in the Cypriot citizenship program. "In contrast to other EU countries with comparable programs, the government has relaxed the criteria for acquiring a Cypriot passport."

Cyprus offers numerous different ways of investing within its CBI program. Most of the money invested can be kept by the applicants, and in some cases they can even earn a return on certain forms of investment. You can invest in Cyprus government bonds and financial assets, for example, or in a company or real estate.

"At 12.5%, Cyprus's corporate tax rate is among the lowest in the world. This is an important advantage, particularly since Cyprus has signed a number of agreements on avoiding double taxation." But, Economides tells us, investors are not necessarily liable for tax: "Cypriot tax residency is based on the number of days one spends in the Republic of Cyprus in a year – the 183 day test."

Participants in the Cypriot CBI program usually have to hold the investment for at least three years. In addition, the investor must buy a Cypriot property worth at least EUR 500,000. "This has to be kept for your whole life, or be replaced by a residential property of the same or higher value. The property can also be rented out to third parties," Economides explains.

Cyprus: collective investments can reduce costs

The CBI program also offers a special collective investment option: several applicants can club together to make a joint investment in Cyprus. This reduces the minimum amount that needs to be invested by each individual. If they decide to take this route, however, investors would be well advised to bring in a neutral partner to coordinate the investment, ensure that the arrangement survives the years and safeguard the CBI program from any kind of dispute.



Citizenship – how to decide?


Acquiring new citizenship is not, then, simply a matter of getting a new passport. Visa-free travel is obviously a central attraction if you are the citizen of a country that has a lot of travel restrictions; but changing citizenship can also protect a person from disproportionate interference in their private matters. A neutral advisor can help in either case to assess the legal and financial consequences. If this assessment also incorporates the applicant's personal preferences and family circumstances, the new citizenship can support a global lifestyle and protect privacy for the long term.

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