

BUSINESS THAILAND

To Wrap or not to Wrap- That is the Question.

Sitting in a golf club in Hua Hin last week I got talking to an English friend about the World Cup, girls and money. He was convinced that England would win the World Cup, the best looking girls in Thailand were from Isaan and that he could manage all his own finances without the help of a professional.

I think he may be right on point's number 2 and 3. Even though my wife, Nopawan, is from the south I wouldn't trade her.(she made me write this)

I stick my neck out when I say that, even though I would like England to win, they have no earthly chance. As far as managing his money he gave this opinion.

His accountant in England said he had no need for a "Wrapper" (not a black American singer but a portfolio bond) to hold all his investments. He said he could buy Swiss based, European based, BVI based, Lux based and British based funds and manage his own portfolio and as he was resident in Thailand there would be no tax liability in the UK.

As he was adamant and a few drinks past 5 o'clock, at the time I said nothing. I have little doubt he could do as he said but would he save money by doing so?

I am interested in your opinion? Before reading on do you agree with his British accountant right now?

Here are the facts. If you change your mind having read them, please let me know.

If the only issue was tax then as I would half heartedly agree with his accountant (There is always a first time).

But there are bigger issues. Had he bought these five funds a month ago and died last night, the executor of his estate would have to go through probate in the five different jurisdictions where the assets are held involving five different lawyers and different admin procedures.

This would decimate the value of his estate and take a very long time before his beneficiaries would see any money. The one thing I dread is to think that the money I worked a lifetime to save finished up in the pockets of a greedy lawyer I had never met.

ALTERNATIVELY. In the wrapper he could have avoided probate and used a free trust to avoid the predators.

Perhaps you couldn't care less what happens when you die so forget that. What about your trades when living?

So let's say he utilizes five fund managers in his first year and does 2 deals in that year with each of the following- Henderson, HSBC offshore, JPMorgan/Fleming, Aberdeen Global and JF. Presume the investment is \$500,000

His friend who has a wrapper does exactly the same and buys and sell the same funds with a similar investment of \$500,000 what difference would there be in charges?

As an individual without a bond you would pay 5% up front for each trade. That would equal 10% (His first 5 deals at 5% followed by another 5 at 5% would make it 10% in total fees.) An easy calculation, He would pay \$50,000. in his first year.

The guy with the wrapper would pay for 10 deals at Stg 21 per deal making a total of Stg 210 for the exact same transactions. That's over \$49,000 less that the "Loner"

Of course there are ongoing charges with the wrapper. Friends Provident show a

reduction in yield over 10 years at 7% growth of 1.91% Please e-mail me if you would like an explanation

If all of that is not enough to convince you let's look at one more aspect-administration.

Individually to buy five funds you would have to complete numerous forms and provide supporting documents to each institution.

Valuations - Each institution has to be contacted to provide a statement' Switching or rebalancing the portfolio is complicated as it involves issuing instructions to all institutions which may be in different countries, time zones etc.

With a wrapper you complete one application form; Assets are bought and sold by simple faxed instructions. Switching, selling, purchasing or rebalancing is made simple and can be effected with a simple instruction to the provider.

There are many more advantages I'll list one. If you are British and returned in the future to live in the UK, you would only be subject to tax on gains deemed to have arisen during the period you were UK resident during the term of the policy which would reduce the chargeable gain. Lack of space prevents me from discussing appointing a stock broker but I will come back to this subject in the future.

If I haven't convinced you of the benefits of a portfolio bond then you probably still believe David Beckham will raise the trophy in mid-July.

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