

Levels and Costs of Offshore Private Banking

A couple of weeks ago we received an interesting question from a Q Wealth member regarding offshore bank accounts.

“I have been a member for some time and have been looking for reasonable ways for someone who is not on the “high-end wealth” list to seek safety for the efforts of a life of productive work,” writes Mr X. “I’ve read a lot about many of the things covered in your e-mails (which, by the way, I consider excellent), but I have been unable to find a more specific guide to the steps that are recommended ... based on say, levels of wealth.”

“The idea is to give a member an idea of where he/she should be spending due diligence time and coordination time so that each focuses on things which are reasonable for his/her level of concern, wealth, desire for privacy, etc.”

Mr X then goes on to ask me to produce a brief guide to what can be done at different levels of wealth.

Let me begin with an important disclaimer: of course, our space here is limited, and we do offer a free e-mail referral to each paid-up member that is based entirely on their personal circumstances and financial situation. We have readers from all over the world, and with very different appetites for risk and return.

A BASIC OFFSHORE BANK ACCOUNT... UPWARDS

But what if all you want is a basic bank account that allows you to invest in different currencies? By a basic bank account, I mean a multi-currency account, with basic services like internet banking and a debit card.

Mr X himself starts off by recommending small investors look

at Everbank, a US- bank that allows you to invest in foreign currency based CDs, paper gold investments and the like, etc. Everbank could certainly be a viable option for US citizens who want to gain international currency exposure, but it's still part of the US banking system, and I tend to the view that if you're going to go for international exposure, you might just as well go all the way and open a foreign bank account.

Some people believe this is difficult and are therefore put off – but really it's not difficult at all, provided you have the basic documentation: passport copy, proof of address, and preferably some kind of reference. Likewise, the idea that offshore banking is only for the seriously wealthy could not be further from the truth. You can easily open an offshore personal bank account just by mailing the requisite paperwork, and allowing for an opening deposit of a couple hundred dollars or equivalent.

Our [Practical Offshore Banking Guide 2012](#) is the place to start, with its list of international banks that will open accounts by mail. If you would rather somebody held your hand through the account opening process, just ask for a referral from our [member services department](#). They can introduce you either to specific bank officers who are familiar with the requirements of international clients, or to an independent professional who can walk you through the process, confidentially, for a small fee. The latter option is especially valuable if your requirements are more complex, or you would like to use a corporate or trust structure rather than holding the account in your own name.

If your net worth (or assets to be protected) is in the six figure range, say \$100,000 to \$500,000 range, then other offshore banking options open up. At this level you can already access the lower echelons of private banking, as opposed to normal person or commercial banking. Private banking is where you establish a long-term working

relationship with an individual. At this level you won't have access to the most sophisticated service or the most personalized advice, but you'll have a perfectly good, secure banking relationship.

\$500,000 to \$2,000,000, depending on the bank in question, is the entry level for the most sophisticated wealth management services. This amount might be spread over several different accounts: for example, family trusts and foundations, business accounts, or the accounts of other family members.

Above \$5 million, you are an attractive client acquisition for any private bank, and they will go out of their way to help you even if your case might require the bank to take special legal advice or consult top management. But due to the range of services offered at that level, it's highly recommendable to take independent professional advice before choosing a bank (or banks) that will suit your needs.

IS OFFSHORE BANKING EXPENSIVE?

Private banking might sound expensive. Is it? It really depends on your point of view.

Yes, you should expect to pay for services provided. There is no "free checking" or anything of that nature. Unless your deposits are very substantial, in which case you might negotiate a waiver of fees altogether, you are going to have to pay monthly or annual fees, depending on the bank. The typical range is \$10 – \$50 per month. Some banks also charge extra for credit cards: a gold or platinum card from an offshore bank, that includes things like travel medical insurance, loss of luggage and car rental damage waivers, typically runs \$150 to \$500 per year, depending on the bank. Yes, this is certainly expensive when compared to "no annual fee" credit cards.

However, if you think about it rationally, there is no such thing as a free lunch. Those onshore banks offering you free

credit cards or free check writing privileges are not doing it out of the kindness of their hearts. Just because they don't charge you, doesn't mean there isn't a cost to the bank. They are subsidizing these basic products because they are making money off you in other ways – not least, by gambling your money in an insecure fractional reserve system. Offshore banks, on the other hand, typically have much more conservative money management strategies that simply don't have the same profit margins.

Add to that, running an offshore bank is more expensive. Even at lower levels, you will usually get access to a personal contact at the bank who will be knowledgeable and will speak your language. Offshore banks do not, as a rule, outsource call centres to third world countries. Instead of a dealing with a kid in a far off call centre, you will more likely be dealing with a university educated, multi-lingual financial professional, and you will have his direct desk line and his cellphone number... and he expects a decent salary at the end of the month.

Of course, ultimately, it's your decision, if you want to go for the convenience and lower banking fees onshore, or the security, privacy and better service that is offered offshore for a higher cost. Most people choose a combination of the two – this allows you to play the system by doing your low cost day-to-day banking at home, while benefiting from offshore service and security for your serious wealth.

THE COST OF OFFSHORE STRUCTURES

Talking of costs, people ask me even more about the point of net worth where it is worth forming an offshore structure. There is no simple answer to that one either, unfortunately. I would say that the question of whether you need an offshore structure depends more on your level of financial sophistication, than your level of actual monetary assets.

Someone with \$10,000 in the bank and a good business idea may

well find it worthwhile to spend a few thousand bucks getting set up properly with a structure designed to protect future earnings against potential taxation or legal entanglements. Likewise, a retired person with \$500k might just want to put their money on a simple savings account, they are unlikely to be sued, the tax on the interest income and on death won't be very much, so they don't need any offshore structure.

I for one don't and won't hold any bank accounts in my personal name, for ideological reasons. I have official residence in a country with no income tax, my countries of citizenship do not tax me because I'm non-resident, and all my bank accounts, credit cards and real estate are registered to offshore corporations. That's the way I like it, and to me it's money well spent.

I have a home in the EU that I rent out, for example – but because it's in a company I just pay a local accountant a small fee to file a tax return related to income for that property, to claim any deductions and pay any tax due on profits. No need to worry about how it might impact my worldwide net worth. It means I don't need to file any personal tax returns anywhere.

To me, it's a way of keeping things simple in my mind, to have different companies for different assets and projects. Other people might think it is complicated to own multiple companies and have to deal with filing multiple returns in different countries.

Ultimately, it's up to the individual. Offshore structures still offer a lot of legal protection and privacy. Only you can decide what price that is worth to you. To me, the freedom of not having to file personal tax returns doesn't have a price.

You will have the opportunity to meet bank representatives and legal counsel at our [Vancouver Wealth Forum](#) this September. If you would like to meet members of the Q Wealth team in person,

why not attend? If you would prefer to contact an expert first, simply contact our office for referrals. Please note that our referral service is limited to paid-up members. If you are not yet a member, please [see the list of membership benefits and sign up here.](#)

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