



## WHAT EVERY SFO / FAMILY HOLDING SHOULD KNOW

### What is a Single Family Office (SFO) or a Family holding?

A SFO / Family holding is a private entity aimed at managing the investments and affairs of one *single family*. The assets under management are the family's own wealth, often accumulated over several generations. A SFO / Family holding is restricted to providing services to members of one single family. In addition to investment management, these entities typically also provide the following services:

- Succession planning
- Estate planning
- Tax planning
- Accounting and payroll activities
- Legal affairs management

### Consolidating under one Family Holding - what advantages?

Consolidating high-value assets under one (or several) company/ies has a lot of advantages – e.g. asset/asset classes segregation, limited liability with respect to those assets, ease of (re)financing, facilitated transfer of ownership interests.

### Traditional SFO / Family Holding structures often fail to address key concerns when it comes to legacy planning and asset protection

### Where do traditional corporate consolidation (often) fall short?

Traditional SFO / Family Holding consolidation structures often fail to address key concerns when it comes to legacy planning and asset protection. The individual shareholder/s is / are still exposed to 3rd parties' attacks and shares held in an individual capacity remain subject to probate procedure in case of demise. This is where a Foundation adds value to a corporate structure.

### How to mitigate the risks?

A Foundation is an independent legal entity with a distinct personality, separate from its founder. Compatible with all UAE asset classes (real estate, shares, portfolios), Foundations enable the entrepreneur and his / her family to consolidate and keep control over income-generating assets and investments, while protecting them from potential threats. They are equally effective for Muslims and non-Muslims.

The below chart highlights the key features and advantages of foundations over companies held by individual shareholder/s.

**Foundations can be used in combination with corporate structures**, e.g. holding shares of holding or operational companies, thereby **guaranteeing business continuity and smooth intergenerational planning**.

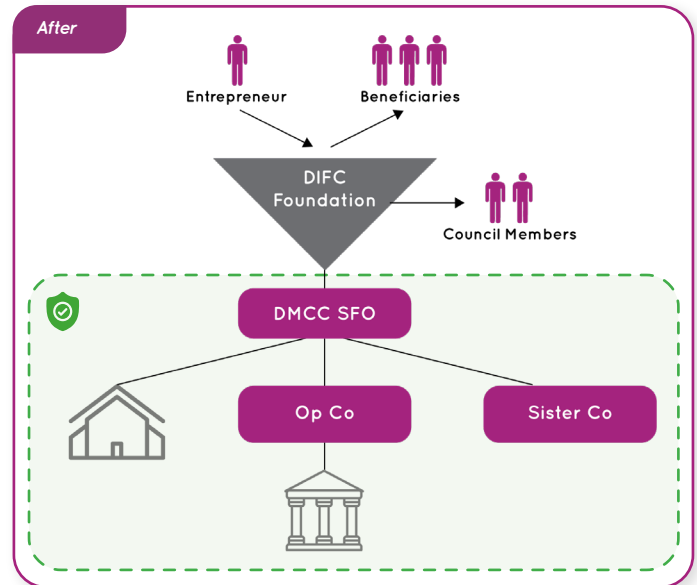
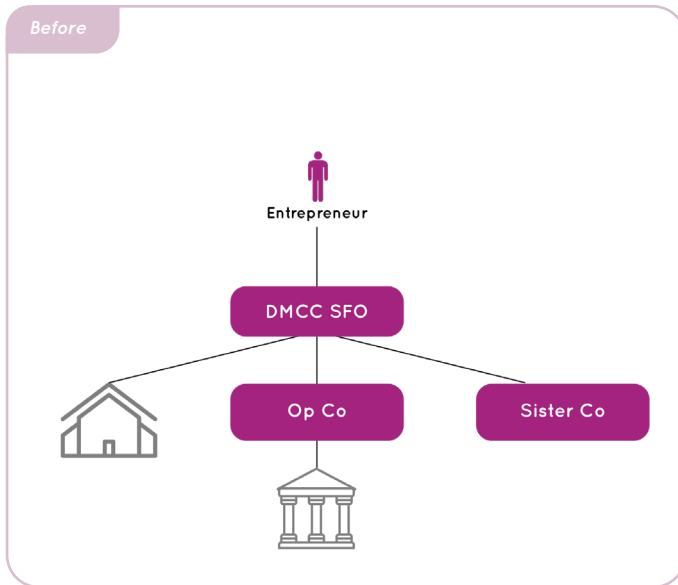
	COMPANY	FOUNDATION
Shares	Yes	None
Ownership	By shareholder(s)	<b>Self-owning</b> Orphan Structure
Control	Director(s)	<b>Council Members</b> Minimum of 2 Council Members
Supervised by	Board of Directors	<b>Guardian</b> if appointed, mandatory if no surviving founder or for charitable objects
Veto powers	Held by Shareholder(s)	<b>"Reserved Powers"</b> held by Founder/Guardians

### CONSOLIDATION, ASSET PROTECTION, LEGACY PLANNING

Assets consolidation	✔ Yes	✔ Yes
Asset Protection	✘ Limited Prone to 3 <sup>rd</sup> parties attacks	✔ Yes Firewall against 3 <sup>rd</sup> parties attacks
Assets subject to probate	✘ Yes Shares are subject to probate	✔ No Foundation assets no longer part of personal estate
Dilution Risk	✘ High	✔ None Risk Mitigated!
Legacy planning	✘ No	✔ In place as per Founder wishes

## Case study

- Leading DMCC SFO, family-owned and operated; shares held directly by Patriarch
- Group comprises operational entities, real estate and financial portfolio
- Client aims at consolidating his UAE businesses under a holding structure to ensure:
  - Asset protection and preservation
  - Legacy planning strategy
  - Control during lifetime



## What improves?

- Consolidation of all operational entities under a single HoldCo structure - SFO/Family Holding, held by DIFC Foundation
- Group assets segregated from Family's direct ownership: no longer subject to probate or creditors' attacks
- Family (and Patriarch) maintains operational control
- Distribution of proceeds
- Fast implementation of decisions within the family
- Important savings  
(no legalization/super-legalisation of documents unlike where a foreign holding co is used)

## Who we are

We are a multi-services platform catering to a broad spectrum of clients - from individual entrepreneurs and local SMEs to wealthy international families, to established blue-chip companies and multinationals. Our one-stop-shop offering is unique in the Middle East: a holistic and cross-disciplinary combination of a market-leading corporate services firm, a law firm's specialist expertise and a regulatory & compliance services practice, all through one single platform.

We have broad experience advising successful individuals and international families on a broad range of legacy planning and wealth structuring issues, including structuring of operational and non-operational assets. We are regularly assisting clients on all aspects of a SFO - e.g. defining the family's vision; identifying, fine-tuning and implementing governance aspects and management strategies; selecting, incorporating and providing ongoing support to the appropriate structure.

Headquartered in the UAE, we are an entrepreneurial firm for entrepreneurial clients.

## Get in touch!



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