

# THE LIECHTENSTEIN TRUST

*In 1926 Liechtenstein became the first, and is today still the only, continental European country to adopt and legislate for the Anglo-American trust concept. As a result of adopting this long and well established tradition Liechtenstein trust law can provide legal security and optimal conditions for succession and estate planning as well as asset protection. Trusts can also be used for charitable purposes. Private and charitable objects can also be combined.*

## DEFINITION AND LEGAL NATURE

*A trust is established when a natural or legal person (the settlor) bestows assets on a trustee on the understanding that the trustee acquires legal title to the trust assets and will use or manage the trust assets in his own name (his actions being binding on third parties since he is the legal owner of the assets), but for the benefit of the beneficiaries, according to the wishes of the settlor laid down in the trust deed.*

*A trust arrangement is neither a contract nor a legal entity. Rather it is a particular type of legal relationship between the settlor, the trustee and the beneficiaries. A trust should not be confused with the civil law concept of fiduciary relationship.*

## PARTIES TO A TRUST

**Settlor:** *The settlor bestows on his chosen trustee a part of his wealth, the trustee gets legal title and manages the assets according to the conditions laid down in the trust deed. The settlor can reserve the right to revoke the trust. In most cases the management of the trust lies solely with the trustee. Indeed, the settlor is prohibited from becoming involved in the management of the trust by directly instructing the trustee. Other bodies can be designated in addition to the trustee to also be involved in the management of the trust (e.g. advisor, protector or auditor).*

**Trustee:** *One or more natural or legal persons are appointed as trustees. They can be based in Liechtenstein or abroad but at least one trustee must be based in Liechtenstein.*

**Beneficiary:** *The beneficiaries are named in the trust deed. Often not specific persons with specific rights under the trust are named but rather a class of beneficiaries is laid down. In this instance it is for the trustee to decide when and to what extent a member of the class of beneficiaries is to benefit from the trust assets. The trust deed can also stipulate that the trustee requires the agreement of another body, e.g. a protector, regarding the appointment of beneficiaries. Alternatively the right to appoint beneficiaries could be bestowed on another body altogether.*

## TERMINATION OF A TRUST

*In the first instance a trust is ended according to the conditions in the trust deed. The most common termination reason is because there are no more assets in the trust since they have been distributed to the beneficiaries.*

*One element specific to a Liechtenstein trust is that trusts can be set up for an indeterminate period of time and do not need to be dissolved after a statutorily fixed period of time. The "rule against perpetuities" does not exist in Liechtenstein trust law.*

## TRUSTEE

*As a member of the Continor Group, Tectum Trust Management Establishment is acting as trustee in Liechtenstein and other jurisdictions.*