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Placing a collection into trust

Building up a collection, whether this involves art, antiques, classic cars or fine wine, is something that may appeal to both enthusiasts looking to take their hobby to the next level; and to investors who wish to put their money into a tangible commodity that will retain, and may increase, its value.

The world’s leading private collector of Chinese textiles recently gave a presentation to high-net-worth individuals (HNWIs) in Hong Kong, outlining the potential benefits for collectors and investors of putting their collections into trust.

Chris Hall is a trained tax accountant who works within the Equity Trust Group. He has been collecting Chinese silks for more than 30 years. He provided a selection of pieces from his collection for an exclusive exhibition for a select group of Equity Trust clients, and spoke to those present about his experience.

Chris did not address the potential tax benefits of putting art collections into trust, as recent changes to estate duty in Hong Kong had altered the landscape in this respect. Instead, Chris focused on the potential benefits to a collector looking to safeguard his assets.

Placing a collection into trust offers protection in the event of litigation or creditor claims, both of which could lead to the seizure of assets from individuals. In an increasingly litigious business climate, such scenarios could arise for directors of companies or individuals carrying on business as a sole proprietor or in partnership. In principle, a trust separates legal ownership of the trust assets from any financial difficulties faced by the collector.

A collection that has been placed into trust is also less vulnerable in the case of divorce of the collector, when lawyers representing a former spouse might otherwise seek to obtain a share of assets. A trust also offers protection from dissipation, in the case of serious illness or sudden death of the collector. If a collection is passed to the collector’s descendants, it may be handled differently from the collector’s intention; whether this involves it being broken up, not properly cared for or displayed, or sold to non-specialists at a price that may not reflect its real value.

'Equity Trust private client teams create and administer structures that will provide for extended families; manage multiple, complex, cross border assets; navigate tax and regulatory issues; and facilitate effective investments now and for the future'

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If the collection is in trust, the collector may appoint a fellow enthusiast as a trustee or to an advisory committee to the trustee – someone who will have sufficient knowledge of the subject and who can take action that has the collector's best interests at heart, even if he is no longer alive. If a collection is to remain intact and be sold to a museum, the trustee will make arrangements for this in a far more effective manner than if the collection was inherited by an heir who may be inexperienced or uncertain about the best means of handling it.

The growth of collecting among high-net-worth individuals (HNWIs) in China

Rising levels of private wealth in China are part of a regional trend that is predicted, by 2013, to see Asia Pacific move ahead of both North America and Europe as the largest repository of private wealth in the world.

Global auction specialists Sotheby's has seen a major increase in the amount spent by Chinese collectors and investors at its biannual sales, which in 2010 realised a total of HK\$5.5 billion. Sotheby's has reported a significant rebound in the prices fetched by works of art and other items from 2007 levels to those of the present day.

How Equity Trust can help

Equity Trust has considerable experience in regard to the steps required to place a collection of art or other assets into trust.

Our private client teams create and administer structures that will provide for extended families; manage multiple, complex, cross border assets; navigate tax and regulatory issues; and facilitate effective investments now and for the future.

Please contact us to find out more about the services that we offer.

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