

UAE FAMILY WEALTH MANAGEMENT: A RECORD-BREAKING SURGE IN FOUNDATION ESTABLISHMENTS



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Foundations are reshaping the UAE framework for family wealth management and intergenerational legacy planning. Earlier this year, the UAE passed a significant milestone with the establishment of 1,200 Foundations. 2023 marked a record-breaking year, with the establishment of 333 Foundations across the UAE. 2024 projections are on track to reach 450+ Foundations, bringing the UAE's total to an impressive 1,500 by the end of the year. Dubai International Financial Centre, in particular, is leading the way with an impressive 638 Foundations established with the Centre.

These figures highlight a remarkable trend in Foundation establishment over the past few years – for good reasons!

What unique features of DIFC Foundations regime set it apart as the number one choice for individuals and families seeking to establish a robust and sustainable wealth management structure in the region?

- **Innovative Regulatory Initiatives:** DIFC has introduced several key initiatives, including the Family Wealth Centre, a simplified Family Office regime, and a Private Register for family entities. These initiatives, along with revisions to the Trust and Foundations Laws, enhance asset protection and expand the Centre's offerings, making DIFC a leader in wealth structuring.
- **Purpose Foundations:** DIFC permits the incorporation of purpose Foundations, a pioneering move in the financial landscape. Unlike traditional Foundations that manage assets for specific beneficiaries, purpose Foundations can be formed to hold assets for a purpose, without conferring a benefit on any specific person, offering a versatile and specialized use of Foundations. This innovation underscores DIFC's commitment to its clients' specific business needs and requirements.



- **Dynamic Legal Framework:** DIFC operates a common law legal system that provides tailor made solutions to businesses operating regionally and internationally, while aligning with international best practice, offering a transparent and robust legislative framework.
- **Privacy and Confidentiality:** DIFC has developed its ecosystem with privacy at its core. This ecosystem includes best-in-class data protection legislation, a Private Register enabling qualified family businesses to keep key stakeholder information confidential, a globally unique privacy vault (in lieu of a UBO register), and statutory recognition of private dispute resolution in relation to family businesses. This emphasis on privacy is a significant draw for those seeking secure wealth management solutions.
- **Ringfencing Assets:** DIFC Trust and Foundations Laws have recently been updated to include extensive "firewall" provisions to protect settled assets from foreign judgements and claims that seek to circumvent DIFC laws that would otherwise protect the Trust/Foundation's assets.
- **Comprehensive Ecosystem:** DIFC's ecosystem is designed to foster growth and success, with a proactive approach to law revision and strategic advantages that provide unparalleled opportunities in the global market. The Centre's dedication to creating a supportive and innovative environment makes it an ideal choice for businesses and investors worldwide.

- **Strategic Location and Reputation:** Located in Dubai, a major international financial hub, DIFC benefits from a strategic location that enhances its global connectivity and attractiveness to international investors. Its reputation for excellence and innovation further cements its status as a top-tier destination for wealth management.

These unique features available to DIFC Foundations highlight why individuals and families seeking robust and sustainable wealth management structures choose DIFC. Its commitment to innovation, privacy, legal adaptability, and comprehensive support structures makes it a standout choice in the region and beyond.

How do UAE Foundations cater to the needs of the local population in the region?

- The tools was initially introduced with Muslim families in mind. A founder can legally gift their property during their lifetime, and a Foundation can be used to organize lifetime gifts, which are then no longer subject to Sharia inheritance rules. Potential distributions to beneficiaries can also be made according to the principles of Sharia, but it is not mandatory.
- **Control can be kept within the family,** as there is no need to rely on professional controllers. Family members can access the necessary tools and information to fulfill compliance responsibilities, or these responsibilities can be outsourced altogether.



- **Real estate ownership** is made more efficient through the DIFC Foundations regime, which enables the ownership of real estate assets by a DIFC Foundation registered with the Dubai Land Department.
- **World-class asset protection features** have been introduced through recent amendments to the DIFC Foundations Laws. These changes bring in **additional safeguards** related to prior transactions by settlor or founder when transferring property to a Foundation. They include a 3-year statute of limitations for bringing actions or proceedings in relation to a Foundation or a property transfer to a Foundation.

Furthermore, is a burden on the creditor to prove that the founder intended to defraud the creditor when transferring the property to the Foundation. Extensive "firewall" provisions also protect settled assets from foreign judgements and claims that seek to circumvent DIFC laws that would otherwise protect the Foundation's assets.

- **Corporate Tax efficiency:** Foundations under Corporate Tax legislation can qualify for tax transparency, enhancing their appeal.

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M/HQ is a multi-services platform catering to successful individuals and entrepreneurial families. 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 private client specialist team and a regulatory & compliance services practice, all through one single platform.

We have extensive experience advising on a broad range of wealth structuring and legacy planning issues. We particularly assist in **establishing and servicing Family- and Group- Holdings, Single- and Multi- Family offices, Foundations** and other asset consolidation/protection and intergenerational wealth management structures.

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

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