



Interview: Kecia Barkawi-Hauser

Louise Polcaro talks to **Kecia Barkawi-Hauser** about her work, her various roles within STEP and other organisations, and her focus on philanthropic giving



ABOUT THE AUTHOR

Kecia Barkawi-Hauser TEP is Founder and Managing Partner of VALUEworks. She is also President of the Swiss Association of Trust Companies, a former Committee Member of STEP in Switzerland and a Founding Member of the Zurich Roundtable of Philanthropy

You are a former committee member of one of the Swiss STEP branches, President of the Swiss Association of Trust Companies (SATC) and one of the presiding judges in the STEP Private Client Awards 2011. What fascinates you about the trust profession?

After law school I chose to enter the trust world because of my interest in international private law, languages, travel and people from different cultural backgrounds. Although a civil lawyer by education, I was, and remain, fascinated by the possibilities the Anglo-Saxon trust offers. In particular, the long-term planning horizon, even long after the death of a settlor, is very attractive and a perfect wealth and estate planning tool.

My first job as trust lawyer with GAM, both in Zurich and Bermuda, mainly involved trusts for UK residents or nationals and families with truly international links. Tax compliance and a high level of quality were and remain an important part of my work. This genuine interest in trust issues is one of the reasons why I actively support STEP, joined a branch committee and now the Judges Panel for the Private Client Awards.

So, what is the link between STEP and SATC?

In the early years of the new millennium many of the established players in the Swiss trust industry operated under a licence in another jurisdiction such as Jersey or BVI and standards were generally high. However some trust jurisdictions started to over-regulate

their industries leading to a number of largely unlicensed providers seeking shelter in Switzerland. STEP observed the trend with some concern as foreign, lower quality providers moved into the Geneva area. In 2005, a project was launched to establish an association of corporate trustees that would ensure high quality and ethical standards and gain recognition and support from the Swiss government. The SATC's ultimate aim was to improve the legal basis of the trust business, while STEP continued to provide urgently needed education to the ever growing crowd of Swiss trust professionals.

SATC was successfully launched in 2007, at the same time as Switzerland ratified the Hague Trust Convention. I became the first president and my company, VALUEworks, was one of the 12 founding members. Today we have almost 30 corporate members, most of them well-known and internationally operating companies. We are well regarded within the private client industry and have good contacts in the Federal Department of Finance and various other bodies. Despite the fact that I am putting much 'pro bono work' into SATC, I really enjoy being able to shape the future of the Swiss trust industry and cooperate with some of the best trust professionals on the SATC committee and advisory board.

Speaking of pro-bono, I understand you are also involved in philanthropy – could you tell me a bit about that?

Early on in my career I was introduced to the concept of charitable trusts. I was looking after a number of charities to preserve prestigious art collections and make them available to the public. Later I structured and managed charitable trusts and foundations with a focus on education, research, health and humanitarian aid, all established by

private individuals. Not only was I amazed by the generosity of these people, but also by the impact they had through these donations, and soon I was drawn to the idea of focusing on philanthropy within private wealth planning. With my father working as the general manager of a Swiss foundation, the non-profit world was a familiar one, and when I founded VALUEworks, a family wealth-planning boutique and its subsidiary Charity Services LLC in Zurich, it was clear right from the start that philanthropy advice would be one pillar of our service offering.

Philanthropy is not only doing good, it can achieve so much more – for the donor, for society, but it also has a lasting impact on us advisors!

What do you believe to be the role of advisors in philanthropy?

The role can be very diverse, as there are various ways to give, various types of assets to be donated, various types of philanthropists and a huge range of causes that urgently need support. Ideally, a holistic approach should be taken where the personality, the interests and passions, the skills and the financial, tax and family situation of a philanthropist are considered to evaluate the most suitable form of philanthropic activity. This can be very time intense and requires the advisor to understand the client's personal situation, ideas and values.

At VALUEworks we meet many very wealthy and interesting people who are looked after by a dedicated and caring team, all of whom have volunteered and visited NGOs. Some future philanthropists turn to us seeking international estate-planning solutions, others specialised charity services. Personally, I love to motivate ultra-high-net-worth individuals to donate strategically and to work with donors who wish to involve their families. We define long-term philanthropic



wishes and strategic goals and find solutions for implementation. Benefits to be gained from family philanthropy include tax savings, reinforcement of values or family traditions, a deeper understanding of how society works and what I call an 'emotional dividend'. We often recommend setting up charitable trusts or foundations where family members take active roles. We coach young adults or mothers on how to become involved with their charity, which strengthens their position within a family and society, enhances communication among family members and lessens the potential for conflict.

With the global financial crisis and general unease about the world economy in recent years, have you noticed a trend away from philanthropic giving?

No, I believe philanthropy is on the rise. According to a Swiss survey, the total amount donated per year has been increasing continually, reaching CHF1.5 billion in 2009. The average donated per household in 2010 rose to its highest level ever, by over 50 per cent compared to 2009. Significant funding was provided to support the victims of the Haiti earthquake and the Pakistan floods, but other causes also benefited.

The effects of the financial crisis on donations are difficult to analyse. People want to see their own future secured in the first place, but more and more want to make a difference, perhaps following in the footsteps of some of the world's 'rich and beautiful'. The financial crisis and the humanitarian catastrophes have also left professionals, many from the financial industry, with a desire to do good, and we have been approached for assistance in referring such people to meaningful volunteering projects.

What do you believe are currently the biggest barriers to giving, both in Switzerland and internationally, and what would make philanthropic giving easier?

I guess you are pointing towards the problem of cross-border giving. At present, most EU countries do not provide incentives for donors supporting foreign NGOs as there is no deductibility of income taxes on such donations. In addition, cross-border donations may be taxed at the highest applicable gift and inheritance tax rates. Since the much-cited

European Court of Justice cases, *Stauffer* in 2006 and *Hein Persche* in 2009, things are beginning to look better. Also, there are a number of institutions who facilitate cross-border donations such as Transnational Giving Europe. A helpful website on the topic is www.givingineurope.org

Nevertheless, taxes are not the only barrier. Often, proper advice and guidance in choosing the right cause or approach to change is lacking. In addition, there are thousands of charities to choose from, which makes the journey even more difficult. Members of the legal profession often provide useful advice on the formation of a trust or foundation and on tax issues. However, they often lack the deeper understanding of how a cause can best be supported. Using banks to initiate philanthropic ideas may be even worse as many use philanthropy for marketing purposes. Donating funds is rarely aligned with a bank's strategy.

What vehicles would you recommend for tax-efficient giving?

This really depends on the type and size of the anticipated donations, the donor's residence, his or her personal situation and the NGOs or projects to benefit. Setting up your own charitable trust or foundation may be useful if you have capital of, say, at least EUR10 million, unless additional capital contributions are anticipated in the future through inheritance, annual contributions or fundraising. Also, it may be the solution if an entrepreneur wishes to fund a trust with shares in his private company. Costs are relatively high and must be carefully considered. Board members and trustees usually act pro-bono, but a diligent administration with proper research, monitoring, accounting and reporting is important and costly. As mentioned, we do recommend the setting up of a charity for family philanthropy purposes. But often an outright donation may be better – there are so many NGOs that support the same or similar causes so it is important to clarify if there is a genuine need for yet another charity. Increasingly, we recommend a philanthropic commitment over a number of years and try to find tailor-made projects to support, leading to closer links with

NGO staff, better communication, focused monitoring and increased impact.

The choice of vehicle is not an easy one and must be carefully considered. With Switzerland being one of the world's hubs for NGOs (ICRC, WWF, MSF...), the Swiss charitable foundation is a very popular and well-recognised choice. It is under supervision, in the commercial register (www.zefix.ch) and tax exempt. There are no backdoors that would allow a founder to regain access over funds, making them an ideal vehicle. Nevertheless, I am also very much in favour of recommending charitable trusts and in some cases charitable associations or endowment funds may serve a purpose more cost efficiently.

One could question if there is a direct correlation between possible tax deductions and the amount donated. In Switzerland, charitable donations are (partly) deductible from income tax, both on federal and cantonal level. Canton Basle Land has increased the deductibility of donations from 20 per cent to 100 per cent, thus allowing all income to be offset by donations for income tax purposes. Nevertheless, per capita donations have not increased.

Finally, tell us about the Zurich Roundtable of Philanthropy

The goal of the Philanthropy Roundtable is to bring together selected representatives from the wider charity sector for the exchange of ideas and for networking. Current subjects on the issue of philanthropy are discussed, relationships are established and synergies may be capitalised, but the main rationale is the furtherance of philanthropy. The most interesting thing about the roundtable is the mix of participants: all dedicated professionals actively engaged in philanthropy. Some are in leading positions with NGOs, others are academics, consultants, lawyers, financial advisors, politicians or government employees. The personalities and backgrounds are diverse and this makes the exchange unique and fruitful.

Today, we have Philanthropy Roundtables in Zurich and Geneva. It is our goal to encourage the establishment of further roundtables based on our ideas in Switzerland and possibly other countries. ■