

# The tale of the renaissance entrepreneur

Dr Ariel Sergio Goekmen considers the benefits of private label funds as a solution for wealthy entrepreneurs



#### ABOUT THE AUTHOR

Dr Ariel Sergio Goekmen TEP is a Director at Credit Suisse

Today's successful entrepreneurs either accumulated considerable cash before the advent of the current financial crisis, or have the option of selling stakes in their business to a third party, providing them with the possibility of becoming cash-rich from one day to the next. This reality, set against today's background of low liquidity and generally deflating asset prices, can result in excellent business opportunities for these entrepreneurs.

Successful entrepreneurs are known for pursuing their strong visions and overcoming many obstacles on the way to achieving them. Many entrepreneurs face similar issues, such as how to organise their succession planning in a suitable, structured manner, while still allowing them to access their assets, thus enabling them to continue to pursue their entrepreneurial activities.

A structure often chosen by successful entrepreneurs and one that is well-suited to these criteria, is the private label fund. There are numerous jurisdictions that offer a relatively benign environment in which to implement such funds.

#### Entrepreneur's tale

Take the example of one entrepreneur who

recently sold his company, thereby receiving a cash payout of several hundred thousand Swiss Francs. He wanted to continue to work on his patents and products and put this cash to good use by making further investments in his area of expertise. This entrepreneur recently redomiciled to Switzerland. He has a family with several children from two marriages, living in different jurisdictions, and wished to keep them involved in the family finances and interested in any important future transactions. He was looking for a structure that would allow him to pool his cash assets with the purpose of investing them, at the same time permitting former business partners and associates to co-invest alongside him, should they so wish. At the same time, however, the entrepreneur wanted to maintain the ability to control the investment process rigidly.

“A structure often chosen by successful entrepreneurs and one that is well-suited to these criteria, is the private label fund”

The solution selected by this entrepreneur was a private label fund domiciled in Luxembourg. This allows for optimal succession planning for the entrepreneur. As the net asset value of the fund is published quarterly, the fund units can be bought/subscribed freely and placed in

the safekeeping account of the purchaser anywhere in the world. Some of the family members bought their fund shares and placed them in a trust established for this purpose, others subscribed through a nominee, and yet others opted to hold the fund units in their personal name or jointly with their partners. The entrepreneur also chose to establish a charity to which he donated some of his shares with the aim of funding future donations to finance projects in developing countries.

By structuring his assets through the use of a private label fund, the entrepreneur had an asset pool at his disposal. He placed one part of the fund in a protected cell with the aim of creating a safe cash fund for future generations. These assets are managed by several asset managers and banks whose overarching mandate is value preservation. Shares of this sub-fund were only distributed to close family members and the entrepreneur himself.

Another segment of the assets was earmarked for use with regards to patents and products he was developing, thus serving as his long-term growth sub-fund. In this case, former business partners were involved in this quasi high-growth cell of the private label fund. The last part of the fund's assets was placed in a sub-cell, which invests in real estate opportunities and is open to other investors.

By structuring his cash pool by means of a private label fund, the entrepreneur is once again able to pursue new business interests, thereby reinventing himself as a highly satisfied renaissance entrepreneur. ■