

## THE COMPANY FOUNDATION



### WHAT IS A COMPANY FOUNDATION?

A Company Foundation, a variant of the Liechtenstein Foundation, is similar to a private-benefit Foundation but with a key distinction: the founder contributes company shares, typically of a business they own, to the Foundation. This transfer makes the Foundation the new owner of the company, removing it from the founder's personal assets. The Foundation Board, adhering to the founder's directives in the Foundation documents, exercises the company's voting rights.

Founders often appoint themselves or family members to the Foundation board or Protectorate and designate beneficiaries to receive profits from the company. This structure ensures the longevity of a family business across generations, safeguarding ownership rights from succession issues and creditor claims.

### WHAT ARE THE OBJECTIVES OF A COMPANY FOUNDATION?

- **Ensuring** the enduring existence of a family or personal business.
- **Facilitating** the ongoing operation of the company, especially in cases where there are no direct or suitable heirs.
- **Shielding** the company from claims by the founder's creditors or legally entitled heirs (for asset protection).
- **Providing** long-term financial stability and support to family members or other designated individuals across generations.

### HOW IS THE COMPANY FOUNDATION MANAGED?

The Company Foundation, through its Foundation board, exercises control over important company matters by using its voting rights at shareholders' meetings. This control extends to appointing or dismissing company directors and deciding on profit distribution. Profits from the company can be allocated to the Foundation, providing financial support for beneficiaries or the company itself.

The founder, while alive, often influences business decisions, either directly on the Foundation board or in an advisory role. After the founder's death, experienced individuals can be appointed to guide the company's future.

## WHAT INFLUENCE DOES THE FOUNDER RETAIN?

The founder should ideally avoid retaining influence over the Company Foundation to ensure the company shares are not considered part of his private assets, which is crucial for protecting the company from heirs and creditors.

However, the founder can be a member of the Foundation board or Protectorate, allowing involvement in managing the company owned by the Foundation, without compromising asset protection.

## HOW IS THE COMPANY FOUNDATION MONITORED?

The Foundation's monitoring can be tailored to the founder's requirements, involving both internal and external oversight.

Internally, a Protectorate can be established to oversee the Foundation board's activities.

Externally, an auditor can annually review the Foundation's asset management and usage. The Foundation board is legally obligated to act responsibly, adhering to laws and Foundation documents, with potential civil and criminal liability for misconduct. Effective governance becomes crucial after the founder's death to ensure continued proper management of the Foundation.

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We are looking forward to hearing from you.