

Introduction to family investment companies (FIC)

What is a FIC?

A FIC is a private limited company established by a family for use in their wealth or succession planning strategy.

Typically, family members will hold the shares in the FIC and sit as directors on the board, making decisions on behalf of the FIC and the assets that it holds.

The constitutional documents (memorandum, articles of association and shareholders agreement) often contain bespoke provisions governing distributions of profits, return of capital, appointment of directors and share transfers which are dependant upon how the family want the FIC to work for them.

A family charter is often implemented alongside a FIC. The family charter is a document used to record agreements made between family members, in relation to how the family business of family wealth should be managed.

What are the Roles?

Board of directors

The directors are responsible for administering the FIC, in accordance with the memorandum and articles of association governing the manner in which the FIC should be operated. The directors have the power to buy and sell investments, make dividends and appoint advisers. Family members may be appointed as directors to the FIC.

Company secretary

In certain jurisdictions, a company secretary is required. The company secretary is responsible for ensuring the FIC is maintained in good standing, by making the relevant filings in the local jurisdiction, as well as securing that the statutory records of the FIC are kept in good order. This role would usually be undertaken by Affinity, for Jersey company's.

Affinity's role in a FIC

- ⑩ Expertise via the provision of board members, non-executive directors, and investment advice
- ⑩ Administration services to the FIC, including: bookkeeping, statutory records, and financial statements, project management and general administration to ensure that the company is maintained in good standing
- ⑩ Provision of a company secretary
- ⑩ Assistance with tax and regulatory filings
- ⑩ Communication and education across generations
- ⑩ Governance; assisting with the preparation of a 'family charter'
- ⑩ Coordination of board/shareholder meetings and other milestone events.

Why establish a FIC?

Protection

An IFC can protect the family wealth from divorce or bloodline dilution, via restrictions on share transfers to spouses and non-family members.

Control

By their appointment to the board of directors, family members maintain control of the family assets, by retaining decision-making capabilities over: distribution of profits, investment decisions, appointment and removal of the board, voting rights.

Estate planning

Defining how specific family members inherit, and the value of assets (in the form of shares) to be passed to the next generation, in a tax efficient manner.