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THE GRANITE GAMBIT

New Hampshire launches a bold plan to capture the nation's trust business.

WITH AN ESTIMATED \$41 TRILLION set to pass between American generations over the next 45 years, competition among states seeking to attract trust business is heating up. This spring, New Hampshire staked its claim by passing legislation designed to make it the nation's cheapest, most flexible domicile for family trusts and trust companies.

"What has happened in New Hampshire is important to all wealthy people because the state now offers the most flexible trust laws in the country," says John Duncan, a Chicago attorney who drafted the legislation and who has helped establish 30 trust companies in 15 states.

The Trust Modernization and Competitiveness Act follows New Hampshire's "Live Free or Die" motto by eliminating or streamlining many of the rules of operation for both trusts and trust companies. The legislation—awaiting the governor's signature as *Worth* went to press—reduces regulatory burdens on both low-risk, nondepository trust companies and single-family private trust companies. The legislation makes trust company applications and related documents confidential and eliminates the requirement that trust company directors reside in New Hampshire. It also provides new fiduciary powers and authority to all trustees to transact business with affiliates.

Changing the state's trust laws required assuaging the concerns of New Hampshire's trust lawyers and banking industry—a task accomplished in the relatively short span of a few months. "We're comfortable



DISPOSABLE INCOME

A MIDDLE EASTERN executive arrived at the Lanesborough Hotel in London for the uncorking in June. He (the hotel keeps guest names confidential) had reserved the first sip of a cognac distilled in 1790 that had somehow survived the French Revolution and the ensuing 216 years; the hotel

PRIVATE STOCK

claims it is the only surviving bottle of its vintage. Those who want to savor the liquid gold can reserve their own 50 ml glass for £1,700 (about \$3,200). The cognac comes from Charente in France. "A little man who lived there heard that we had been hunting for rare cognacs and brought it to

us," says Lanesborough bar manager Giuseppe Ruo. He expects the contents, which he describes as "floral and very delicate, with chocolate and vanilla finishes," to last until sometime this winter. But now is the time to reserve for the chilly season, which is, of course, the proper time of year for

an after-dinner cognac.

"You need to be prepared to receive this royal nectar," Ruo says. First your waiter will bring you a younger, more commonplace cognac to prepare the palette. Then comes the 1790 with a selection of handmade chocolates to bring out all its complexities. —Tim Chan

with the bill at this point," says Gerald Little, president of the New Hampshire Bankers Association in Concord. "We hope it accomplishes its mission, which is ultimately to attract financial sector jobs to New Hampshire by making the state a very attractive place from which to manage wealth."

Some of that state's wealthiest residents helped convince New Hampshire's financial sector. Paul Montrone, chairman

and CEO of Fisher Scientific International, and his son, Jerome, along with firms such as Mellon Bank, Exeter Trust and Fidelity Investments, formed Trust New Hampshire First, an organization dedicated to modernizing the state's trust laws. Last December, the group commissioned an economic forecast detailing how the state could benefit from new trust laws, predicting an influx of as many as 150 new trusts and

investment firms, and new tax revenues as high as \$3.6 million by 2010—significant in a state with no earned income tax and no general sales tax.

Leaders of the state's financial sector also asked Duncan to rank New Hampshire's trust climate. His review noted that the state already had many of the trust advantages industry chiefs were seeking. The bad news was that New Hampshire was still "behind the curve, and was doing just enough every year to stay comfortably behind the curve," he notes.

Duncan says the bill allows the state to position itself as the leader in the trust business—even for out-of-state clients. "This market is not necessarily tied to geographic connections," says New Hampshire lawyer and lobbyist Bill Ardinger, who worked with Duncan on the legislation. "With [the changes the state has made], it's a very small step for us to say to the national market, 'Come here.'"

New York has been the nation's traditional trust Mecca. However, a 2005 report by Lower Manhattan Development noted that New York's "position as the recognized leader in the personal trust business has been eroding." States such as Delaware, South Dakota and Alaska are luring trust business away from New York and other centers of wealth by creating a more "trust friendly" tax and regulatory environment.

Hugh O'Neill, president of Appleseed, the New York consulting firm that wrote the report, hints that New Hampshire's gambit may not be the last. "There is a substantial portion of that business that is up for grabs," he says, adding that he perceives "a kind of interstate competition that is happening in many parts of the financial sector."

—Jill Duman

TAKING OFF THE RITZ



IN A SIGN THAT LUXURY standards are rising to ever new heights, the Ritz-Carlton, an icon of high-end lodging, is apparently no longer ritzy enough for top-tier travelers.

With its new hotel in the Turks & Caicos Islands, Ritz-Carlton Hotels and Resorts is downplaying its famous name for the first time. The 125-suite property, accessible only by boat, private plane or helicopter, has been dubbed Molasses Reef, a Ritz-Carlton Reserve. It is slated to open in 2008.

"Turks & Caicos is a very special place," says Andy Wimsatt, chief development officer of Molasses Reef. "We wanted to be careful about plopping down the brand."

Ritz-Carlton's strategy is to equate the hotel with independently operated Caribbean properties such as Guanahani in St. Barts and Cap Juluca in Anguilla. These hotels fetch rates that can be twice that of a luxury chain, Wimsatt says. Rates start in the range of \$700 for a standard room during high season.

Ritz-Carlton is not the only luxury hotelier angling for the boutique aura. A new St. Regis hotel, scheduled to open in Anguilla in late 2008, is called Temenos Anguilla, a St. Regis Resort.

Richard Kahn, a hotel marketing consultant based in Rockville Centre, N.Y., who specializes in the Caribbean, predicts more hotels will play the name game. "For the upper upscale tier, the marketing trend is definitely looking at finding something, including a brand name, that will be seen as exclusive," he says.

Environmentally conscious travelers may note that Molasses Reef is being built on West Caicos, an island as large as Manhattan that has not been inhabited in recent times. —Louise Kramer