

Lesson Nr. 1: Don't Fall Tax Blog

Wealth Planning with crypto assets:

Timing and structured transfers in volatile markets

With unique nature of crypto assets, wealth planning takes on a new level of complexity and opportunity. For those holding digital assets, transferring wealth in a way that ensures stability, and promotes growth while considering possible tax liabilities requires careful consideration of timing, organizational structure, and investment strategy. Here is how each of these elements plays a vital role in managing crypto wealth.

Timing: Maximizing value through market cycles

Timing is essential in crypto wealth planning. The market value of cryptocurrencies is per se characterized by a high level of volatility. This has a direct impact on potential tax obligations when assets are transferred as a gift or inheritance resulting from the respective valuation at the time of transfer. Accordingly, timing transfers carefully is crucial.

When transferring assets, it is crucial to consider whether the market is in a downturn phase or is rather entering a bullish phase as the resulting tax values will have a direct impact on the resulting tax burden. The larger the respective portfolio, the higher is the impact of even small fluctuations. Especially for high-value assets like Bitcoin or Ethereum, aligning transfer dates with market movements can lead to substantial savings. Ultimately, a well-planned timing provides an opportunity to maximize wealth for both the giver and the beneficiary.

Structure: Creating stability and control through trusts and foundations

Beyond timing, establishing a well-thought-out structure is essential for managing and preserving crypto wealth. Structuring wealth through structures like trusts, foundations, or tailored investment vehicles provides flexibility, stability, and control. Depending on the beneficiary structure and location, respective purpose of wealth resp. the envisaged succession plans the conscious structuring of crypto assets is a necessity.

From preserving assets for future generations to fulfilling philanthropic aims different structures offer a variety of options. In the case of a family wealth plan, for instance, trusts as one example can be structured to distribute assets in pre-defined phases, taking into consideration market shifts. In addition, set-up and investment options of respective portfolios according to certain risk approaches would usually be decided at the time of the establishment of certain structures. Using crypto assets also in light of future developments, a diversified portfolio would need to include both high-growth crypto assets and more stable investments aiming to create a balance between growth potential and regular returns. Trustees can for example leverage this flexibility to transfer crypto assets following the respective market conditions and maintain a steadier stream of income through more stable assets.

For wealth holders with charitable intentions, for example foundations provide an organized and mission-aligned option to use assets toward philanthropic goals. By timing asset transfers according to market developments, foundations can maximize their mission's impact while keeping an eye on potential tax implications.

Overall, the right structure enables better control over how and when assets are allocated, managed, and transferred. Whether the goal is to provide ongoing support for a certain circle

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of beneficiaries such as family members, direct resources toward charitable projects, or preserve a legacy, a structured approach allows for strategic decision-making that aligns with market conditions and beneficiary needs, ensuring that the wealth plan remains resilient and adaptable to current market developments which is essential when dealing with crypto assets.

Growth Potential: Strategic portfolio balance for long-term value

The growth potential of cryptocurrencies adds another dimension to wealth planning. With their capacity for significant appreciation, crypto assets can serve as tools for wealth accumulation if balanced carefully with more stable assets. Portfolios comprising assets like stablecoins or fiat-pegged assets provide a foundation of lower volatility and can be particularly useful for trusts and foundations where a certain regularity of distributions is envisaged levelling the risk of crypto market swings. Growth-oriented assets like cryptocurrencies offer the potential for high returns, however as always in the world of investing at the cost of certain risk. By balancing volatile with more stable assets, helps in creating a portfolio that can protect against short-term volatility and at the same time positions assets for future appreciation.

A well-diversified portfolio, as always, provides the flexibility to maximize growth while still securing the stability needed to fulfil the long-term goals of the trust, foundation, or individual wealth plan. The key ingredient is the active monitoring of the market conditions and adaption of the portfolio accordingly.

Key take away

With careful timing, a structured approach, and a strategic balance of assets, a wealth plan can be created that actively uses the opportunities of crypto assets while respecting the respective wealth and succession plans.

Whether you are looking to protect your family's legacy or support a charitable mission, crypto wealth planning offers a unique opportunity to leverage timing, structure, and growth potential while considering the respective tax landscape.