

Governance of a Liechtenstein foundation

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A Liechtenstein foundation lasts only as long as its governance works. The deed of foundation sets the framework, but the daily decisions are taken by the foundation council and, where provided, supervised by a protector or control body. Families who understand these roles from the start avoid most later disputes.

1 The foundation council

The foundation council is the executive body. It manages the assets, decides on distributions within the limits of the foundation documents and represents the foundation externally. Members owe duties of care and loyalty to the foundation and act according to its purpose. Liechtenstein law generally requires that at least one member of the governing body of such an entity holds a qualification under the Liechtenstein Trustees Act, which in practice means that a licensed professional sits on the council.

Family members can also serve on the council. Their presence improves knowledge of the family's needs, but it also increases the risk that the foundation is seen as controlled by the founder.

2 Protector and control body

Many foundations appoint a protector or a collegial body with rights of consent, for example before distributions, changes to the by-laws or the replacement of council members. Private-benefit foundations are generally not subject to the Liechtenstein Foundation Supervisory Authority, which is why the founder can provide for a control body or appoint an auditor to check that the assets are used in accordance with the purpose. Charitable foundations are subject to state supervision and have specific audit requirements.

3 By-laws and letters of wishes

The deed of foundation is filed or registered, while the details are usually laid down in supplementary by-laws, which remain private. They name the beneficiaries or classes of beneficiaries and set out rules for distributions, succession on the council and the rights of the protector. A letter of wishes adds non-binding guidance, for example on education funding or the age at which children should receive larger amounts. It helps the council to exercise discretion in the spirit of the founder, although the council remains bound only by the documents and the law.

4 Avoiding sham structures

A foundation may be disregarded if the founder in reality treats the assets as his own, gives binding instructions on every transaction and the council merely executes them. Courts and tax authorities in several countries have looked through such structures. Proper minutes, real discussion of decisions and a clear separation between the founder's private finances and the foundation's accounts are the best protection.

5 What pays off in practice

- **Choose council members carefully** and ensure they genuinely exercise judgment.
- **Update the by-laws and letters of wishes** after births, marriages and changes of residence.
- **Record decisions properly** so that the foundation's independence can be shown at any time.

6 How Ressos Legal helps

I advise founders and families on the design of foundation documents and on governance reviews of existing structures. [Contact me](#) for a first conversation.

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