

Understanding the Family Foundation: a groundbreaking new law poised to revolutionise wealth management and succession in Poland

By Michal Bakula

The recent introduction of the Family Foundation to Polish law, arguably long overdue, is set to become a crucial milestone in the development of the Polish wealth management market. At Q Securities our focus is on supporting clients with the set-up and managing a Family Foundation.

Despite the new law being groundbreaking, nothing will change overnight and the market should be ready for a marathon rather than a sprint. We're now merely at the starting line, and for the new law to become a game-changer, continued structured education, market discussions and stakeholder feedback will be critical.

To foster such exchange, since February of this year, we have been running a series of Family Foundation expert talks for our clients (the latest one featured [here](#)). Continued interest and demand for more such events confirm the need to share information for the broader benefit of many more potentially interested.

The Family Foundation (FF) law came into force in Poland almost a year ago – in May 2023. Until now, around 1000 FFs have been registered with an ever-growing backlog of new submissions.

Beforehand, succession and inheritance had to be handled in Poland through a patchwork of different laws – mainly via a person's Last Will, which has limitations. Until the introduction of the FF, a holistic approach to family succession, oversight of family-owned companies and continuity planning overlaid with a structured philanthropic approach via Trusts and Foundations known in Western Europe for generations hasn't been possible.

Poland's economic miracle over the past 35 years has enabled many entrepreneurs to create fabulous business success stories – those founders of family-owned companies have only now started to reach their retirement age, creating the first wave of succession discussions among wealthy families. Despite such substantial progress in macroeconomic terms, Poland arguably still lags far behind standards common in developed markets regarding the sophistication of wealth management services and demand for them among the wealthy. According to the latest European Fund and Asset Management Association Fact Book 2023, Poles are still very conservative when it comes to understanding and using many tools and services offered by capital markets: in percentage terms, the amount of wealth kept under professional management remains at around a half compared to Western Europe and is much lower than in basic bank deposits.

On the other hand – Poland's Gen X and Y don't differ much from their Western peers regarding views on their life goals. When discussing with our clients, they repeatedly fret that their successors are not particularly keen on continuing their parents' interest in managing and growing the family

business. Instead, they'd rather pursue other paths, business or otherwise. Too often parents-founders face the challenge of ensuring the continuity of their beloved family business while securing their children's financial future.

All the above offers a perfect scenario for a tipping moment in the evolution of the Polish wealth management market. Q Securites Family Office embarks on this long-term journey very clear-eyed about the potential to assist our many clients in choosing the right partner for professional support and well-planned retirement. As already observed by many – the Family Foundation, as set up by the new Polish law, offers a very flexible solution that is more extensive than in many other jurisdictions.

The main possible benefits worth exploring might be:

1. Wealth: accumulation, management in the interests of the beneficiaries, providing benefits to beneficiaries.
2. Succession: generational change, establishing the company's operating strategy for years to come, integration of family assets.
3. Protection: separating assets from the founder, maintaining confidentiality of assets, and tax benefits.
4. Alimony
5. Charity

While discussing the above, it is also crucial to have a long-term view on how the organisational setup of a Family Foundation should ideally work. Most often, a family would initially elect only themselves to be part of the Foundation Board, however, external professionals could be considered to offer expertise, e.g. with regards to proper bookkeeping, procedural or AML compliance, valuations of non-public assets, etc. It is worth keeping in mind that a Family Foundation is obliged to undergo an audit every four years. Therefore, to ensure all those requirements are fully met, it is worth engaging with a professional partner.

WANT TO LEARN MORE?

If you'd like to learn more about how we can support you with the set up and managing a Family Foundation, contact our experts:

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