



COOK ISLANDS INTERNATIONAL TRUST FACT SHEET

OVERVIEW

A Cook Islands International Trust is a well-established offshore trust structure most commonly used for asset protection. The jurisdiction is widely regarded as the leading international centre for asset protection trusts, supported by a robust and highly developed legislative framework that is frequently replicated in other jurisdictions.

In addition to asset protection, Cook Islands trusts are frequently used for wealth preservation and long-term succession planning. The jurisdiction is internationally recognised for the strength of its trust laws and the high level of protection afforded to trust assets against external claims.

This structure is suitable for individuals, business owners, and families seeking to safeguard assets or establish a flexible and effective wealth management structure.

PURPOSE AND USE

Cook Islands International Trusts are commonly used for:

- Asset protection against future creditor claims and litigation
- Long-term wealth preservation and succession/estate planning
- Holding international investment assets, cash, securities, precious metals, real estate, shares in companies, intellectual property, high-value assets and private wealth
- Structuring wealth for internationally mobile individuals and families
- Establishing trusts with a high degree of legal certainty and resilience

ASSET PROTECTION

- **2-year limitation period on creditor actions:** Challenges to transfers into a Cook Islands trust must be commenced within 2 years of the transfer. After this window, the transfer is final and cannot be challenged.
- **Foreign judgments not enforceable:** Cook Islands courts do not recognise or enforce foreign judgments against a Cook Islands trust. Creditors are required to commence proceedings locally in the Cook Islands, creating a substantial legal and financial deterrent.
- **Cook Islands courts have exclusive jurisdiction:** Trust disputes are determined only in the Cook Islands. Foreign courts cannot take control of the trust or override local trust law protections.
- **Settlor cannot “give the assets back”:** Properly drafted, the settlor has no authority under the trust deed to direct distributions or surrender assets—a foreign court cannot compel the settlor to act.
- **Trustee cannot comply with foreign court orders:** Local statutes expressly prohibit trustees from giving effect to foreign court orders/judgments relating to trust assets; compliance would breach Cook Islands law.
- **Court-tested framework:** These protections are supported by established Cook Islands legislation and upheld in case law, providing strong precedent-based certainty.
- **High burden of proof on creditors:** Creditors must prove their claim to a very high evidential standard, including intent to defraud at the time of transfer, making successful challenges difficult.

KEY CHARACTERISTICS

- Purpose-built trust legislation under the International Trusts Act
- Flexible trust structures, including reserved powers and protectors.
- No local taxation on trust income derived outside the Cook Islands
- Perpetuity flexibility, allowing for dynastic or perpetual trusts, fixed-term trusts, or trusts tied to specified events
- Stable political and regulatory environment with an established, well tested and internationally recognised offshore services sector. Common law legal system with established and well-developed trust jurisprudence
- **Underlying Entities:** Trust assets are commonly held through underlying entities, such as limited liability companies (LLCs), which may be managed by appointed persons, including the settlor, subject to the terms of the trust. The use of underlying entities and retained powers requires careful structuring, as excessive control may affect the strength of asset protection
- **Tax:** For U.S. persons, Cook Islands trusts are commonly structured as grantor trusts, resulting in U.S. tax neutrality
- **Gift Tax:** Grantor trust treatment is typically achieved through the retention of specified powers (such as trustee or beneficiary appointment rights), causing transfers to be treated as incomplete gifts for U.S. gift tax purposes, with no U.S. gift or excise tax arising on establishment or funding
- **Confidentiality:** Legislation provides a high level of confidentiality, with no public register of trusts and strict limitations on the disclosure of trust information, subject to applicable regulatory, legal, and court-ordered requirements.