

Portugal Golden Visa through purchasing shares of investment funds: a practical guide by MFG Consultants



Portugal Golden Visa through purchasing shares of investment funds: a practical guide

Investors can get a Portugal Golden Visa if they invest a minimum of €500,000 in investment fund units. The holding period is at least 5 years.

The Portugal Golden Visa is a residence permit obtained in exchange for investing in the country's economy. It will allow the applicant's entire family to live and work in the EU and, after 5 years, to apply for citizenship.

What are the conditions and advantages of investing in funds, and how to choose them? MFG Consultants expert team will answer to all those questions throughout this brochure.

Contact MFG Consultants today to schedule an introductory Zoom call for free and without any commitment.

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What is an investment fund?

An investment fund is a financial services company whose mission is to attract investors and increase capital. The fund collects investors' money and puts it into selected assets: residential or commercial real estate, Portuguese companies, industrial facilities or the European stock market. After receiving a profit, the fund distributes it among investors minus its commission.

Some of the Portuguese-specific acronyms used in the investment fund industry:

- QIF — Qualified Investment Fund;
- FCR — “Fundo de Capital de Risco” – Private Equity Fund;
- UP — Unidade de Participação;
- PU — Participation Unit in English, is the equivalent of stocks or shares;
- SCR — Sociedade de Capital de Risco – Venture Capital Fund;
- RG — Regulamento de Gestão;
- SEC — Securities and Exchange Commission

The investment model of the fund is spelt out in the contract and constituent documents. The fund can invest only within the framework of the chosen strategy. For example, if the fund was created for investment in residential real estate, the management company can not invest part of the investors' money in commercial real estate or business.

Compliance with the investment strategy is monitored by the Portuguese Securities Market Commission (CMVM, Comissão do Mercado de Valores Mobil), which regulates the activities of all funds in the country.

Advantages of funds

- High potential earnings – depending on the fund and its investment strategy
- Fast, predictable visa application timeline
- Pay low or zero taxes in Portugal during lifetime of the investment (depending on your tax residency)
- Professional management of your investment – designed to maximize returns.
- Possibility to invest in several funds to diversify your portfolio
- Funds for the Golden Visa are closely regulated, with rigorous acceptance criteria and regular third-party audits.
- No geographic restrictions – get your residence permit and then live wherever you want, however you want.

Disadvantages of funds

- Requires you to undergo KYC (know your customer) checks before making the investment.
- Lack of control – the fund manager handles everything on your behalf during the investment period.
- Exiting the fund – Most funds have a pre-defined lock-in period before you can get your investment back (typically 6-7 years but varies by fund)
- Shared earnings – You'll pay a performance fee at the end of the investment period, along with annual management fees (costs vary by fund).



What funds are suitable for Portuguese Golden visa investment?

[The Portugal Golden Visa](#) can be obtained by investment in funds. This is the best way to get a residence permit card for applicants who do not intend to live permanently in Portugal or do not want to invest in real estate.

The minimum investment in funds is €500,000. One needs to invest for at least five years, but the money is often returned after 6 to 10 years.

The strategy of such funds is to minimize risk while conserving capital. Often, they help with the process of obtaining a residence permit. Therefore, most often invest in real estate with the payment of minimum annual dividends. Most likely, such a fund will suit the applicant for a Golden Visa.

Only about some funds are suitable for golden visa applicants — of two hundred Portuguese investment funds registered with the Commission for the Securities Market.

Funds for participation in the residence permit program in Portugal are subject to additional requirements for the distribution of capital and the maturity of shares.

Requirements for funds for investment under the residence permit program in Portugal:

1. Registration with the Portuguese Securities Commission.
2. Investment of at least 60% of the capital in Portuguese companies or real estate.
3. The maturity of shares is from 5 years.

MFG Consultants selects only those funds that meet the investors' wishes best — in terms of risk and return.

How investment funds differ from each other

Portugal Golden Visa Investment funds differ in the type of assets in the portfolio, the size of commissions and fees, the frequency of dividend payments (annually or at the end of the term), profitability and investment model.

According to the degree of diversification, funds can be divided into those that invest in one object or several sectors of the economy.

When choosing a fund, it is necessary to take a set of criteria into account: investment portfolio, the experience of the management company and the team of the fund itself, commissions for management and subscription, and exit strategy.

These are the basic conditions along with the study of the investment memorandum, legal framework, and license, as well as commissions for the transfer of funds, which depend on the bank of the investor and the bank of the fund itself.

All funds offer a different combination of risk and return. Each of them may have its own advantages, e.g. annual dividends, high returns or diversification.

Investment yield of Portuguese funds

Investment yields in the funds range in average from 3 to 10%, depending on the fund investment model. Normally this return is projected based on an annual asset management fee of 0.5 to 3% of the invested amount.



When can an investor withdraw the money?

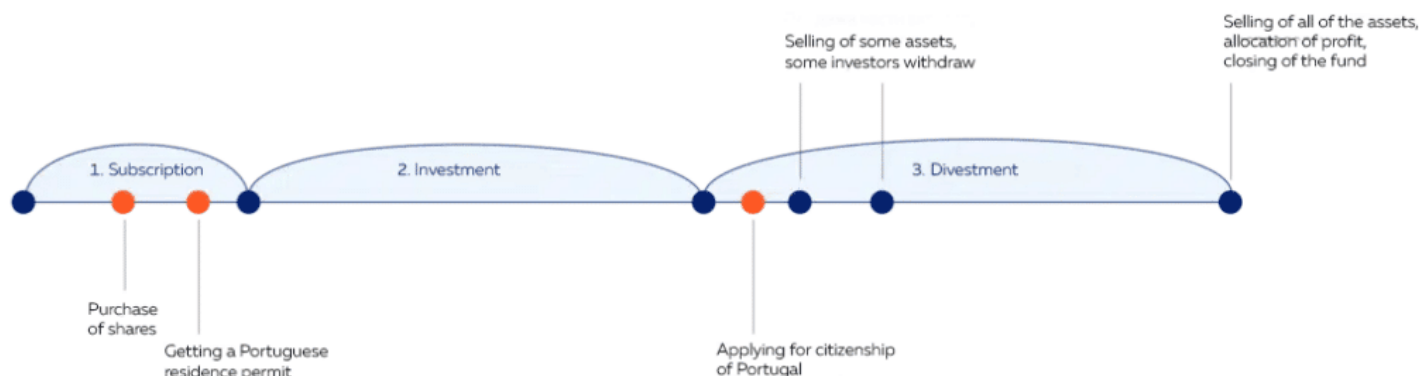
Most often, investment funds are organized in the legal form of a limited liability company, LLC. This means one can invest in the fund only during its formation and withdraw the money without losing interest only after it is closed.

To be eligible for Portugal Golden Visa through an investment fund, an investor must keep money in the fund for at least 6 years before obtaining citizenship. If the investor withdraws his investments ahead of schedule, he may be deprived of his residence permit.

If the investor has already received citizenship and does not want to wait for the fund to close, he can exit early if the fund conditions allow it.

The life span of investment funds is divided into three stages: a subscription, investment, and divestment.

Operational stages of investment funds



1. Subscription. During the first two years, the funds collect money from investors. If there is enough capital, the fund can immediately begin the selection of suitable objects and assets. This period is called the Subscription Period.

During the Subscription Period, investors must conclude an agreement and deposit money. After that, the fund closes the subscription and no longer accepts new investors.

The minimum investment starts from €50,000, but an applicant for a residence permit in Portugal must invest from €500,000.

The subscription can be free, or the commission is taken from the investment amount, and then the investor only transfers the required amount to the fund. But more often, funds take a one-time commission of up to 7.5% of the money invested.

2. Investments and asset management. For the next four years, the funds are actively investing investors' money, collecting a portfolio of assets as part of their investment model, which is spelt out in the contract. Some funds also pay dividends annually, while others will pay dividends only after closing.

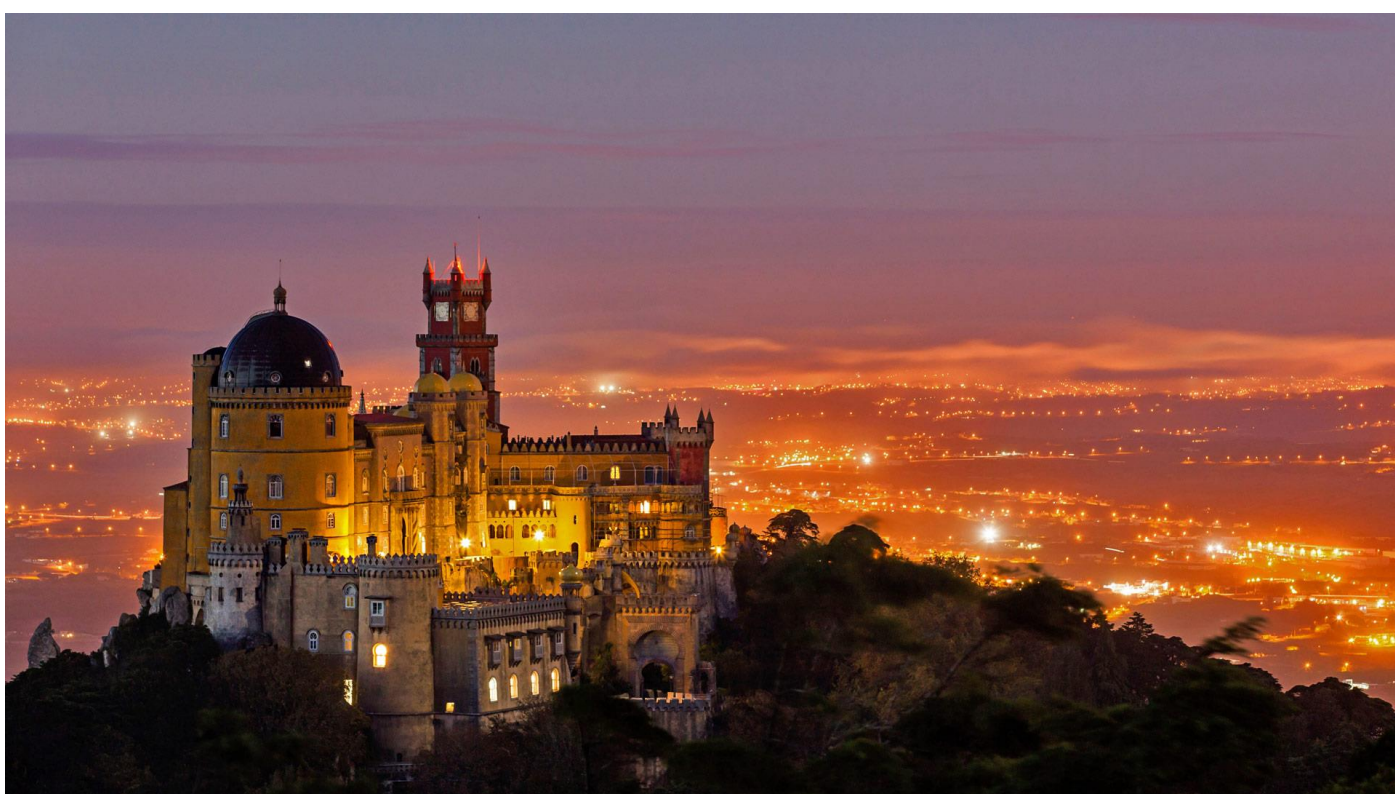
Funds charge an annual asset management fee, ranging from 0.5 to 3% of the invested amount. But this does not entail additional costs: this money is taken from the investments or profits.

3. Divestment. After 6 years, the funds begin to sell assets to make a profit.

From profits, the funds are distributed in proportion to each investor's share and take capital gains into account after the sale of assets. This takes 1 to 4 years. Such a long period is needed to sell the asset as profitably as possible.

If there is a crisis on the market, low demand for real estate or not quite a good market situation, managers will wait for a more favorable moment for a sale. Flexible terms allow you not to sell assets at lower prices and maximize profits.

It may turn out that the investors' money will be "frozen" for a more extended period than is necessary to obtain Portugal citizenship. But you can always clarify this point in advance when choosing a fund and stop at the most suitable option for you.



Is it possible to withdraw money ahead of schedule?

To maintain a residence, permit in Portugal and obtain citizenship, an investor can not withdraw investments earlier than after 6 years.

Most often, an early exit from the fund is possible if the investor himself finds a buyer for his share. However, shares of investment funds, especially those designed for golden visa recipients, are not very liquid. Some funds buy back shares from investors at discounted prices.

Costs when investing in a fund

Expenses	Purchase of shares in an investment fund
Investment sum	€500,000
Taxes and fees*	<p>Up to 7.5% — a commission when investing in a fund</p> <p>0.5 to 3% — an annual fund commission from profits</p> <p>0% — a tax on investment income for tax non-residents of Portugal and 14% for tax residents</p> <p>*Note that the taxes and fees depend on the selected fund. Please contact MFG Consultants for a detailed cost breakdown for a complete clarity on the selected Golden Visa investment</p>
Program expenses and fees	<p>€400+ — medical insurance</p> <p>€533 — an application fee;</p> <p>€5,340 — a fee for a residence permit card</p>
Other expenses	Please enquiry
Expenses during the first year	Up to €540,000

Requirements for an investor

Investors need to meet specific requirements to obtain a residence permit in Portugal. They relate to income, health, age, and biography. When applying, compliance with the requirements is confirmed by certificates and personal and financial documents.

An investor can take part in the residence permit program in Portugal if they:

- are over 18 years old;
- aren't a citizen of Switzerland, one of the EU countries or the EEA;
- have no criminal record;
- have no socially dangerous diseases like tuberculosis;
- have medical insurance with full coverage;
- have a legal income outside of Portugal.

When submitting documents to the AIMA (old SEF), the investor will need a confirmation of a transfer of €500,000 to a bank account in Portugal. Also, they will provide an agreement with the fund, which specifies the amount of investment and the investment model of the fund.

Portugal Golden Visa by investment fund: a step-by- step procedure

It takes three months to obtain a Portugal Golden Visa by investment in funds.

The applicant receives a taxpayer number, opens a bank account, and buys shares of the fund. Then collects documents for a residence permit and submit application and biometrics. The investor's application is processed within 1—2 months.

At each stage, the investor is accompanied by a member of MFG Consultants team legally capacitated to conduct the task. They will accompany the applicant in Portugal, help to choose a fund, make a list of documents, fill out forms and certify copies as well as any other inherent tasks related with your investment and Golden Visa application.

- Step 1. Register a taxpayer number in Portugal
- Step 2. Open an account in a Portuguese bank
- Step 3. Pay for the purchase of units in an investment fund

- Step 4. Register in Portugal
- Step 5. Submit GV application and biometrics at the Migration Service in Portugal
- Step 6. Get a residence permit card



Advantages of obtaining a Portugal Golden Visa through funds

There are several advantages to obtaining a residence permit in Portugal by investing in funds that are not available with other options.

Greater diversification than buying one or more individual real estate properties.

Professionals manage investments: an applicant does not need to search for a property, obtain approval for the purchase, complete a transaction, file tax returns, spend money on housing maintenance or look for tenants. You can generally forget about investments until the time the fund closes.

The potential return is higher than investments in other assets suitable for obtaining a residence permit in Portugal.

Tax optimization. Dividends and capital gains do not need to pay taxes if the investor receives a residence permit in Portugal by investment and is not a tax resident of the country.

Safety. The funds are registered with the Securities Market Commission (CMVM). Their activities are also regulated by the Central Bank of the country and the fund's management company. The tax service also carries out regular audits. This allows investors to be completely confident in compliance with all legal norms and adhering to the chosen investment strategy.

Less overall costs, including taxes and expenses, than when investing in real estate. For example, the total costs, considering the one-time subscription costs, when investing in funds from €500,000, will not exceed €540,000. Buying real estate for the same amount is likely to exceed €550,000. To this amount, you still need to add the payment for the services of lawyers, as well as the cost of repairs and home improvement.

Risks of investing in Portuguese funds

The fund collects money from investors and signs an agreement with them as with a Limited Partner. This means that the investor only risks the amount of his investment and is not liable for the fund's obligations.

How to choose a fund for investment

To choose an investment fund, you need to consider many factors: investment conditions, profitability, return on investment, commissions, and experience of the management company.

We have done this work for you and carried out the Due Diligence of each fund. We assessed the risks, strategy, investment objects, available reporting, and the experience of fund managers and past results and met with fund teams. As a result, our funds were

selected that meet the requirements for applying for the Portuguese Golden Visa and provide an optimal ratio of risk and return.

[We provide clients with all the information about the selected funds, visually compare the main conditions and help them choose a specific investment fund. The final investment decision is yours to make.](#)



Frequently Asked Questions

What is the Portugal Golden Visa investment fund?

You can invest in one or different funds and get a Portugal residence permit.

Can I invest in several Portuguese investment funds?

Yes. You may invest in as many funds as you want. If the total amount you invest is at least €500,000, you qualify to apply for Portugal Golden Visa. Note that other fees such as the subscription fees of more than one fund will increase your investment the more funds you use.

What is a Passive Foreign Investment Company?

A passive foreign investment company — PFIC, is a non-US entity that either earns 75% or more of its gross income from non-business operational activities. Or if at least 50% of its assets are held for generating passive income

Why did Portugal create the investment funds route?

Portugal created the investment funds route for Golden Visa investors to bring foreign capital into the country, while reducing the overly heavy focus on real estate investment. Presently any real estate related investment will not be eligible to apply to the Portuguese Golden Visa program.

What's the minimum I can invest in funds?

The minimum investment threshold for Golden Visa investment funds is €500,000.

Can I include my family on my application?

Yes. You can include your spouse or partner (the latter provided you've lived together for at least two years and can prove it), dependent children under 18, dependent children over 18 who are in full-time education, and parents, provided they are either over 66, or under 66 and financially dependent on you or your spouse.

Can I get EU citizenship with the Golden Visa?

Yes. All Golden Visa applicants become eligible to apply for Portuguese citizenship after five years of residency. As Portugal is an EU member state, getting Portuguese citizenship will give you full EU rights. Those rights include freedom of movement (to freely live, work, study, do business, or retire) across the 30 countries of the EU and EEA (Iceland, Liechtenstein, and Norway). If you're British, the Portugal Golden Visa is your best option to beat Brexit and regain your rights.

Can I invest in more than one fund to get my Golden Visa?

Yes, you can invest in more than one fund, as long as your total investment meets the minimum €500,000 threshold.

Can I invest more than the €500,000 minimum threshold?

Yes, you can as invest as much as you want in funds, as long as you meet the minimum threshold.

Do all Portuguese investment funds qualify for the Golden Visa?

No. Funds need to meet specific criteria before qualifying for Golden Visa investment. All funds featured in this article qualify.

Can I exit my investment early?

Some funds may allow you to sell your units early. But exiting the investment early will end your Golden Visa. You'll lose your residency status and that will stop the clock on your citizenship journey.

What additional costs are involved in investment funds?

Some funds charge a subscription fee on entry. You will also have to account for legal fees for handling the Golden Visa application, plus government fees. These also apply if you use the property route.

How do fund managers get paid?

Funds typically charge an annual management fee, usually 1-2%. They also have a performance fee at fund maturity: usually 20-30% of profits.

How many days must I spend in Portugal to maintain residency status?

7 days in the first year, and 14 days in each of the subsequent two-year periods.

Before you go...

Portugal Golden Visa investment funds offer investors a high level of speed and efficiency at a reasonable investment threshold of €500,000.

You can reach this threshold by investing in as many funds as you want. That makes it straightforward to diversify your investment portfolio and reduce risk.

Investing in funds is the smart choice if you want a Golden Visa in the fastest and most efficient way possible.

[Contact MFG Consultants today to schedule an introductory Zoom call for free and without any commitment.](#)

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