



CAREY OLSEN

## Cayman Conversations – Part Two

### Chris Duncan talks with James Long of Summit Trust

Service area / [Trusts and Private Wealth](#)

Location / [Cayman Islands](#)

Date / [May 2020](#)

In this second instalment of our new Cayman Conversations series, Chris Duncan of Carey Olsen talks to James Long of Summit Trust about the role of the next generation of family members (or ‘Next Gen’) in the context of trust and private wealth structures in the Cayman Islands.

**Chris Duncan (CD):** *James, it’s great to catch up after so long in lockdown – our last round of golf seems like a distant memory!*

*There is a lot of talk in the private client industry about the impact that the ‘Next Gen’ of private clients (generally being the children of the settlor who are reaching adulthood and want to be more involved in family businesses) are having on trust structures and the private client industry in general. That certainly mirrors my experience, and if I reflect on my current matters (both contentious and non-contentious) they nearly all have a significant Next Gen element, either because our clients are proactively planning for the future alongside the Next Gen or dealing with the fallout from a failure to do that planning. So there definitely seems like a trend in that direction. Are you seeing the same thing?*

**James Long (JL):** Yes, absolutely, and given that trust structures are rooted in succession planning it is almost impossible to successfully plan without taking account of, or involving, the Next Gen. That does present a challenge though as the Next Gen is often stigmatized and misunderstood, so we do need to

put some thought into how to involve them or plan appropriately for them.

You and I both know that the only constant is change. We are seeing technology being developed at an exponential rate which then challenges established principles and practices. The recent collapse of the oil market has seen companies like Royal Dutch Shell cut their dividend for the first time in 80 years, in the process losing their title as a ‘Dividend Aristocrat’. The COVID-19 pandemic will be as transformative as it is tragic. The global head of Goldman Sachs’ commodities research has been quoted stating that companies switching to Zoom instead of business travel could hit oil demand by up to 3 million barrels per day. This provocative statement was undoubtedly made to make headlines, but nicely demonstrates my point with regards to change.

Millennials are often accused of killing industries (from beer to homeownership) and the Next Gen is perceived as alien. I believe that this is lazy and tired rhetoric. The Next Gen have been shaped by the world in which they were raised. They are used to adapting to new technologies and ways of doing things (how often do we upgrade our mobile phones?!). The Next Gen’s ability to embrace change is what differentiates them from their predecessors. This, however, does not preclude them from sharing the same core values.

I make this point as I believe that we, the practitioners, play a vital role in bridging the generational divide through

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encouraging our clients to proactively communicate and plan for the future alongside the Next Gen. How can we achieve this objective and fulfil our fiduciary duties if we do not embrace the Next Gen?

*CD: To expand on my earlier point about failures to plan, we quite regularly see unfortunate fallouts between Next Gen family members when planning has been overlooked or doesn't work as intended. We are working on two large structures where the settlor has passed and the children are now fighting over control of the structure and who gets which assets (litigation seems likely in both but we are doing our best to avoid that!). In both cases, the settlor attempted to put in place a framework, without consulting or involving their children, which hasn't quite achieved their objective and in fact has fostered disagreement between their children. Have you had any similar experiences? What do you think are the areas of most concern for Next Gen clients in the planning context, which seem to lead to significant disagreements?*

*JL: In relation to your structures, it is interesting to note that the children were not consulted or involved during the planning phase prior to the implementation of the framework. From my own personal experience, I believe that communication is key. The Next Gen possess strong interpersonal skills and value dialogue and transparency. I am certain that a clear line of communication would have allowed the children to rationalize the settlor's objectives and provided them with the opportunity to add their flavor. This will not circumvent all disagreements, though will ensure that they are brought to light whilst there is the possibility to implement change.*

The Next Gen has a conscience (this is not to say that previous generations do not!). I'm constantly involved in discussions regarding Environmental, Social and Governance (ESG) investing. I have always found that encouraging these discussions helps bridge the generational gap as it promotes the concept of investing and saving whilst also adhering to values that are inherently important to the Next Gen.

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*CD: I completely agree and I think that one of the things most overlooked by families (and advisors) who are dealing with Next Gen issues, is the need for practical planning and clear*

*communication. From my perspective, and whilst each structure is to some extent unique, spending the time to properly consider what a settlor wants to happen in the future is critical and equally important is how those wishes are communicated to the Next Gen. Without planning and proper communication, there is a much higher possibility of breakdowns in relationships between settlors and their children and, more commonly, between the children themselves. That said, it is not always straightforward to open lines of communication, particularly given ultra-wealthy family dynamics. Is there any guidance you can offer from your experience at the coal face in terms of how the subject of future planning might be carefully broached and how you have seen that process working well. What is your practical advice for trustees and advisors working on a planning exercise (both to get the right outcomes for the family, and to avoid hostilities down the track)?*

*JL: I completely agree. We've discussed using ESG investing as a means of bridging the generational gap. In terms of family businesses, I believe that it is very important that future leaders are identified and nurtured. I have often found that the settlor will have already identified the next leader, though this might not have been made clear to the person chosen and/or the family. As advisors, we need to ensure that this is clearly communicated to all parties. I would also suggest that the future leader is involved as soon as possible in the business and I would encourage that a mentoring program is implemented. Nothing is guaranteed, though I would hope that this maximizes the likelihood that the future leader is properly equipped to take control of the business when succession is required. This should also comfort the settlor and provide them with the confidence to transfer control.*

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*CD: Once the issue of how best to involve Next Gen in private wealth structures has been addressed, the dynamics of the structure will still continue to evolve as Next Gen have their own interests and goals (different to that of the settlor). How does this manifest in practice and can you offer any examples as to how Next Gen clients differ today in terms of their investing approach, their views on transparency, and wanting their own structures and advisors? How are the Next Gen changing the landscape for trustees generally and do you presently see any trends in terms of their needs – particularly given the recent and extreme changes in global safety and mobility?*

*JL: I think we've all seen from browsing on social media platforms that the Next Gen attribute great value to life experiences. It is more than likely that most beneficiaries will reside in many jurisdictions throughout the course of their*

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lifetime. It is therefore very important that the modern service provider has a strong international network of reliable advisors that can facilitate this mobility. Fortunately, the Cayman Islands is home to many major international firms which means that we have easy access to a global network.

I think it's fair to say that the erosion of privacy is a multi-generational concern, though will be most felt by the Next Gen and could result in major security issues. I'm sure you share similar stories of settlors or beneficiaries taking the difficult decision to move away from their home jurisdiction due to security concerns (abductions, extortions) caused by the exchange of information related to their wealth. The modern practitioner should ensure that their clients are aware of any jurisdictional risks and assist in elaborating contingency plans for quick evacuation if required.

I often joke that I should be hired by the Cayman Islands Department of Tourism as I am always encouraging my clients to move here. Beyond the natural beauty, and the incredibly welcoming people, the infrastructure, the lifestyle and the opportunities are second to none. I believe the Cayman Islands should be at the top of the list for any international family looking to move abroad.

*CD: Continuing that theme, in terms of attitude and approach, are your Next Gen clients focused on trying to carry on the settlor's legacy in order to grow the structure for future generations or are they happy to enjoy the fruits of the settlor's labour, exhausting the assets in the process? There is the saying that the first generation makes the money, the second spends it and the third gets nothing (and that has tended to be my experience in the trust litigation I have worked on over the years) but I wonder if that is changing with the current crop of Next Gen. What are your observations?*

*JL: I would argue that the extent to which a beneficiary can add value is predetermined by their level of involvement within the trust structure. I believe that a beneficiary that has not had the privilege of enjoying an open line of communication, and therefore not allowed to contribute value, can never be accused of enjoying the fruits of the settlor's labour. They are merely following the predetermined path that was laid for them.*

I have the pleasure of working with Next Gen beneficiaries that are educated, intelligent, conscientious, and very mobile. They have access to a fountain of knowledge at their fingertips and are more than capable of adding value to any process. A personal highlight is when I was informed by one of my beneficiaries that they were sitting the STEP Certificate in International Trust Management. This person is the epitome of the Next Gen, a generation that understands that knowledge is power.

**“They have access to a fountain of knowledge at their fingertips and are more than capable of adding value to any process.”**

*CD: That's a great point and there is so much value in being proactive in order to ensure Next Gen are properly and meaningfully involved. In that regard, it is encouraging to hear of beneficiaries looking to upskill so they can play a more active role!*

*Many thanks James for your valuable insights on Next Gen, which will no doubt be well received by those in the industry.*



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