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SUPPORTING THE NEXT GENERATION OF WEALTHY INDIVIDUALS

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The demand for private wealth services in Guernsey continues to develop, but advisers now need to be much more alive to the needs of the next generation, who stand to receive more than \$30 trillion in the next three or four decades, says [Estera](#) Associate Director Michelle Tring in the eprivateclient Guernsey 2019 report, A Global Island.

The amount of wealth held in private hands continues to increase year on year, with high-net-worth families becoming increasingly global and complex in their requirements. Guernsey is now home to more than 100 regulated trust companies who, alongside the many other professional advisers based on the island, provide thousands of families with wealth management and fiduciary services.

But just as high-net-worth families have become more complex in their needs, so there is now a requirement for the Guernsey fiduciary sector to respond to the next challenge in the industry, which is a significant transfer of wealth to the next generation. In the US, it is currently estimated that as much as \$30 trillion in assets will pass down to the next generation in the next 30 to 40 years, and it is clear that this next generation of beneficiaries will need significant support in dealing with that transfer.

Research indicates that financial education typically does not begin until the age of 27, but, in many instances, beneficiaries and their families need to be prepared much earlier than that. As trustees, our relationship with the patriarch or matriarch, specifically the Settlor, requires us to build a strong understanding of his or her own attitude towards the next generation and the passing on of the family wealth. Some parents do not like their children to know about the wealth that they stand to inherit, while others want them to have an early and active involvement.

Whatever the situation, it is increasingly apparent that our role now extends to assisting and supporting the families that we work with to prepare the next generation when it is deemed appropriate, and that can often mean starting an education programme long before the age of 27. Trustees need to ensure that the next generation of beneficiaries understand the structures in place, the role of the trustee or fiduciary provider. Trustees may also want to talk to them about regulatory requirements and the current investment objectives, as well as alternative structures and ways in which they might achieve their own objectives as the baton of the family wealth is passed to them.

Our role may require us to meet with the family of the settlor to explain the concept of trusts, to outline the performance of current investments, or to discuss health, education or maintenance circumstances that may be relevant. It may also fall to us to address the issues of conflict or potential conflict among the next generation, by working to identify divergent views early and before they become an issue and then assisting the family in discussing ways they can mitigate this.

One way in which we increasingly see trust settlors moving to smooth the generational divide is through the use of philanthropy, which is often high on the agenda of the next generation as they prepare to inherit. We see a growing number of high-net-worth families setting up foundations specifically focused on philanthropic activities, and having the next generation sit on the council and take a proactive role. Such an approach can put the beneficiaries at the heart of key decision-making while also supporting their financial education and easing their transition as they prepare for a much more significant position of responsibility moving forward.

Adaliz Lavarello, director at Estera Trust (Guernsey) Limited, said: “The Guernsey Foundation has proved to be a particularly popular legal entity for high-net-worth individuals and families looking to pursue philanthropic ambitions, and we have recently seen a number of substantial foundations established on the island, along with an increase in demand for services and advice around charitable giving.”

Trustees may be well advised to discuss these issues and possibilities across the generations, focusing both on

the existing structure and its purpose, and whether that structure will meet the needs of the next generation or will need to be modified, for example to better facilitate the support of philanthropic causes.

Adaliz concluded: "As one of the world's leading international finance centres, Guernsey is very well placed to support the next generation of global wealth, thanks in part to its forward-thinking approach, robust regulatory framework and political and economic stability. Advisors now need to prepare for a new set of demands on their expertise, as they will need to work from an early stage to build strong relationships with representatives of the next generation of beneficiaries, and will increasingly have a role to play in providing and supporting their education and preparation for wealth.

An original version of this article first appeared in the eprivateclient Guernsey 2019 report: A Global Island. [Click here](#) to access the full report.

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