

Trust Structures and Beyond

Selecting the Optimal Option

As the global regulatory landscape continues to evolve, and given that each family has its own unique dynamics, goals, and jurisdictional considerations, the tools and structures available for wealth structuring are also adapting. While trusts remain the most widely used vehicle for estate and succession planning, other options, such as Private Funds, are gaining popularity as alternatives or complementary solutions.

Why Trusts?

The Cayman Islands has long been recognised as a premier jurisdiction for the establishment and administration of trusts. With modern legislation, a robust and responsive judicial framework, and a highly developed trust industry, the Cayman Islands offers exceptional flexibility and reliability in trust structures.

At its core, a trust is a legal arrangement that separates legal and beneficial ownership. The trustee holds legal title, while beneficiaries receive the economic benefits or other advantages defined in the trust deed.

Trusts are generally used by ultra-high-net-worth individuals and families to:

- Preserve family wealth across generations
- Simplify probate formalities and delays
- Navigate forced heirship laws
- Support specified charitable purposes or philanthropic goals
- Maintain confidentiality and privacy
- Control spending and stagger distributions
- Avoid fragmentation of assets

Types of Cayman Trusts

Trusts can be tailored to meet a settlor's unique needs and objectives. Common types include:

- Discretionary Trusts: Trustees have full discretion over distributions.
- Fixed Interest Trusts: Beneficiaries receive specified entitlements.
- STAR Trusts: Unique to the Cayman Islands, allowing for both charitable and non-charitable purposes.

The trust deed can be drafted to make the trust revocable or irrevocable, appoint protectors, reserve powers to the settlor, or set the trust to last for a limited term or in perpetuity.

When a Trust may not be suitable

Although trusts remain a cornerstone of estate and succession planning, they are not always a suitable structuring option. Several factors may render a trust structure less desirable or effective, depending on a family's specific circumstances.

One of the primary considerations is tax treatment. In some jurisdictions, trusts may be taxed with punitive consequences or even disregarded entirely. This can lead to unanticipated liabilities, reporting obligations, or double taxation, eroding the intended benefits of the structure.

Recognition and enforceability are also important. Many civil law countries do not recognise the concept of a trust

in the same way as common law jurisdictions. This can create complications in enforcing the terms of the trust, particularly when dealing with local assets or court systems that are unfamiliar with fiduciary arrangements

In other cases, a settlor may be uncomfortable relinquishing legal ownership of their assets. While the separation of legal and beneficial ownership is a hallmark of trust planning, it can feel like a loss of control for some individuals—particularly those with entrepreneurial backgrounds or strong views on asset management.

Additionally, trusts may not always provide the optimal vehicle for pooling family wealth or coordinating investment activity. For families with complex investment portfolios or multigenerational members across different jurisdictions, it may be more efficient to consolidate wealth under a single entity. Trusts, while excellent for asset protection and governance, may be more administratively cumbersome or less transparent in terms of consolidated performance monitoring.

In such scenarios, private funds offer a compelling complement. These vehicles provide a familiar legal format, usually structured as companies or partnerships, that allow for centralised investment management, clear reporting, and shared governance among family members. Unlike trusts, private funds do not require the settlor to divest legal ownership entirely and can accommodate diverse tax profiles and investment needs within a single, flexible framework.

Trust & Corporate Services Offered by RHTC

R&H Trust & Corporate (RHTC), operating as The R & H Trust Co. Ltd., is a licensed trust company in the Cayman Islands offering a full range of services, including:

- Trust establishment and maintenance
- Advice on trust documentation
- Creation and administration of Private Trust Companies
- Provision of directors and officers
- Financial reporting and trust accounting
- Liaison with legal and investment advisors
- Full suite of Registered Office services
- AMLCO and MLRO appointments

RHTC works closely with clients and their advisors to maintain clear communication and effective administration throughout the life of a trust structure.

For families navigating these complexities, a hybrid approach that incorporates both trust and private fund structures may provide the best of both worlds.

For further insight on the use of private funds in wealth planning, see our companion article [here](#) as prepared by our affiliates at R&H Private Fund Services. Both RHTC and R&H Private Fund Services are owned and operated by Rawlinson & Hunter LLP Cayman Islands.

Rawlinson & Hunter's Cayman Islands office provides bespoke services in private client advisory, corporate solutions, fund governance, restructuring and recovery, accounting, and private fund services. We service a diverse client base both locally and globally, through our underlying entities, including R&H Restructuring, R&H Trust & Corporate, Harbour and R&H Private Fund Services.