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Cayman Islands private wealth solutions for Latin American high net worth families

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Introduction

In the constantly evolving regulatory, political, and economic landscape of Latin America, high-net-worth (**HNW**) families face unique challenges in the preservation and intergenerational transfer of wealth and succession planning.

Civil law jurisdictions including Brazil, Mexico, and Colombia impose forced heirship laws, mandating fixed portions of estates for specific heirs, which can disrupt family enterprises and lead to costly disputes. These challenges are further exacerbated by volatile tax regulations, frequent political shifts, and economic instability, all of which threaten asset and business security. In such an environment, HNW families require robust private wealth structures for effective dynastic planning.

The Cayman Islands (**Cayman**), with its English common law foundation, offers effective solutions for HNW families in the region. Solutions like the Cayman discretionary trust, the Cayman STAR trust, the Cayman private trust company and the Cayman foundation company provide protection against instability, enabling families to centralise the holding and management of their assets, mitigate legal, jurisdictional and market risks, and ensure seamless succession.

These solutions safeguard a family's wealth from external threats and risks, enabling them to concentrate on growth and philanthropy, while supporting harmony within the family.

This article is also available to read in Brazilian Portuguese or Latin American Spanish

Key solutions in the Cayman Islands

Cayman discretionary trust: A well-tested solution for an uncertain climate

At the core of Cayman's private wealth solutions is the discretionary trust, where trustees hold assets for the benefit of beneficiaries, often guided by a non-binding letter of wishes from the settlor. Under Section 14 (1) of the Trusts Act (2021 Revision) (**Trusts Act**), the settlor can retain certain powers, such as the ability to influence how assets are administered or distributed, which often provides settlors with much needed reassurance after

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transferring legal title to a trustee. Additionally, the appointment of a trust protector (who is often a trusted advisor or family friend of the settlor) adds another layer of oversight, ensuring the trust is managed in accordance with the settlor's intentions and long term goals.

A Cayman discretionary trust helps settlors bypass rigid inheritance rules which are common in many Latin American countries, allowing wealth allocation based on needs, merit, or family strategy, rather than forced heirship. For Latin American families, where forced heirship laws may entitle children to significant shares of an estate, a Cayman discretionary trust shifts legal ownership of their assets offshore, protecting them from forced heirship claims courtesy of Cayman's 'firewall' provisions which are available under the Trusts Act.

In the context of political and economic instability, such as currency devaluation or expropriation risks, a Cayman discretionary trust offers robust asset protection. In addition to the firewall legislation, the six-year statutory limit on fraudulent conveyance challenges also helps shield the trust's assets from potential claims or seizures, making it an effective solution for preserving a family's wealth.

Additionally, a Cayman discretionary trust can last indefinitely (based on recent statutory reform), enabling multi-generational wealth strategies. It allows families to hold business interests within the trust for an indefinite period of time, preventing the fragmentation of such interests within a few successive generations and fostering long-term growth via carefully crafted trust provisions which can enable and advance the next generation's ventures and vision.

Overall, a Cayman discretionary trust's adaptability and robust features makes it an ideal solution for HNW Latin American families looking to protect and grow their wealth across generations.

Cayman STAR trust: An innovative solution for long term wealth management

The Special Trusts Alternative Regime trust (**STAR trust**) builds on the established features of a Cayman discretionary trust, offering enhanced flexibility ideal for holding interest in family businesses and managing high-value, high-risk, or unique assets.

Like a discretionary trust, a STAR trust can last indefinitely, facilitating perpetual dynastic planning and preserving wealth across generations amidst regulatory, economic, and political uncertainties. However, unlike a common discretionary trust, a STAR trust can be used to pursue diverse business and philanthropic goals while concurrently ensuring family members can benefit from the trust's assets. Another unique feature of a STAR trust is the separation of beneficial interests from enforcement rights, which can be helpful in preventing beneficiaries from accessing sensitive information, challenging distributions and commencing litigation in relation to the trust.

Examples of a STAR trust being used in a commercial context include:

i. serving as a special purpose vehicle to hold assets, issue securities and execute transactions which are isolated from the family's parent company's financial statements,

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ii. serving as a 'bankruptcy-remote' structure to protect assets from creditor risks that can impact the family's parent company, or

iii. facilitating securitisation transactions by holding assets, like receivables, issuing securities backed by such assets and distributing the proceeds from their sale to the investors, which allows the originator of those assets to keep them off their financial statements and insulate the assets from the originator's financial risks.

Overall, the STAR trust is a sophisticated, versatile tool for HNW individuals and families seeking to integrate commercial, philanthropic, and succession planning into a unified private wealth strategy.

Cayman foundation company: A hybrid solution for complex circumstances

Among the spectrum of offshore private wealth solutions, the Cayman foundation company has emerged as one of the structures of choice for sophisticated HNW families and their advisers. Unlike traditional trusts, which can feel conceptually foreign in civil-law jurisdictions, the foundation company is a body corporate with separate legal personality, but with the option of not requiring shareholders. It can own assets outright and its constitution and by-laws can be tailored to adopt the founder’s governance vision. Heirs who are protected under domestic forced heirship rules can be transformed into discretionary beneficiaries with no direct enforceable rights against this Cayman entity.

Family operating companies, real estate portfolios, private equity holdings, and liquid investments can be centralised under a single perpetual vehicle immune to local succession laws, political risk, and creditor attacks since the foundation company also benefits from the 'firewall' provisions available under the Trusts Act. The founder may reserve certain powers during their lifetime (including investment management) and have a trusted supervisory committee or protector exercising those powers after he/she has passed away. Distributions by the foundation company can remain entirely discretionary or can be tied to milestones, performance, or family governance protocols, aligning with the founder's vision and long term plans.

It is common to use a Cayman foundation company alongside other private wealth solutions, such as a private trust company or a Cayman STAR trust, to develop a comprehensive private wealth structure. This approach enables the simultaneous pursuit of various personal, commercial, and philanthropic objectives within a unified framework. Such a structure can be especially valuable for HNW Latin American families with complex business interests and holdings, complex family relationships and dynamics and family members located across different jurisdictions.

For advisers to HNW Latin American families, recommending the Cayman foundation company is no longer an innovative suggestion, it has become the benchmark solution for dynastic continuity.

Cayman private trust company: A solution which combines control and continuity

HNW Latin American families face a uniquely hostile combination of forced heirship, sudden tax reforms, currency controls, and jurisdictional instability. The result is frequently the fragmentation of family owned operating companies, forced asset sales at distressed values, and years of costly litigation that erode both

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wealth and family cohesion. Where control and special expertise are important in relation to the ongoing management of the family's key assets, the Cayman Islands private trust company (**PTC**) can serve as an invaluable solution.

A PTC is a purpose-built Cayman company that acts exclusively as trustee of trusts established for the benefit of a single family or related families. Unlike institutional trustees, it places decision-making authority squarely in the hands of the family itself, through a board composed of trusted family members, long-term advisers, and independent professionals, while still capable of benefiting from the comprehensive legal safeguards embedded in Cayman's common-law trust system.

The advantages for HNW Latin American families are far reaching. By transferring assets into trusts administered by the family's own PTC, forced heirship claims are neutralized whereby protected heirs become discretionary beneficiaries with no enforceable rights against the trust's assets.

Operating companies, real estate, portfolios of complex and high-risk investments, private equity holdings, and assets which are complex and expensive to manage can be centralised under a single, tax-neutral, perpetual structure that is shielded against local probate, political risks, and creditor attack, while permitting the family and their hand-picked advisors to directly administer assets which risk averse institutional trustees may be reluctant to accept into a structure. When combined with a Cayman STAR trust to hold the PTC's shares, the structure achieves complete 'orphaning,' ensuring continuity across multiple generations without the vulnerabilities inherent in shareholder-based entities.

From a governance perspective, the PTC offers unparalleled flexibility since it permits the family to retain strategic control over investment policy, distribution philosophy, and beneficiary access by virtue of being on the board of the PTC and by reserving a range of powers to the settlor during their lifetime and transitioning them to a carefully selected committee thereafter.

Distributions can be calibrated to encourage education, entrepreneurial initiative, or philanthropic commitment, transforming inter-generational wealth transfer from a potential source of conflict into a disciplined framework for long-term flourishing.

For HNW Latin American families and their advisers, the PTC represents a sophisticated tool in dynastic planning, permitting direct control and coordination of the private wealth structure by the wealth creators themselves. In a domestic environment where fiscal rules and the political landscape can change overnight, families that implement a PTC as part of their succession plan secure not only the preservation of their wealth, but its disciplined advancement across multiple generations.

Conclusion

The private wealth solutions explored above represent just a subset of the comprehensive range of options available in Cayman for HNW individuals.

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As a globally recognised, stable, and tax-neutral jurisdiction, Cayman offers a uniquely advantageous environment for structuring a family's wealth and assets. With its robust legal infrastructure (which frequently recognises the need for court proceedings to be heard in private), strong compliance standards, and sophisticated financial services sector, the jurisdiction is uniquely positioned to address the growing complexities faced by wealthy families, particularly those based in or operating from regions marked by volatility or uncertainty.

Few jurisdictions in the world can match the level of expertise and bespoke solutions available in Cayman, making it a premier choice for HNW families seeking to implement effective and sustainable succession plans. With a reputation for reliability and discretion, Cayman continues to be a leading destination for those looking to secure and grow their wealth for future generations.

Click here for more information on Cayman STAR trusts.

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