A great deal of focus has been placed on the next generation of business leaders, beneficiaries, and philanthropists. Rarely discussed, however, is the next generation of trustees that will guide them through so many crucial life decisions.

Serving as trustee is a natural extension of an estate planning role – it entails continuing to mold strategies for taxes, business succession, and family dynamics, while also taking responsibility for investment of trust assets and (often difficult) distribution decisions. Trust donors, beneficiaries, and trustees all face myriad issues that combine and compound to demand complex, emotional decisions. The trustees’ obligation is to gather all relevant information, digest it, and then provide trusted, informed counsel to guide families through these challenges.

The next generation of trustees knows that in-depth knowledge of the nuts and bolts of estate planning is only one part of the foundation needed to be a truly trusted advisor to families. They will have to develop investment acumen, anticipate family issues, apply their insight to unique situations, and deliver counsel with compassion.

Those who “get it right” can be a part of long term success stories that are wildly fulfilling. They are fighting against the common decimation of assets that families experience when not enough planning and discipline is applied across the decades. As Kiplinger’s Personal Finance points out, “...assets are gone 90% of the time by the third generation. That’s because a crucial element of successful inheritances is often neglected. Traditionally, the focus has been on the givers of wealth, but it should rather be on the receivers.”

Overcoming those odds requires that multiple generations of family members make sound decisions – which often involves multiple generations of trustees wisely guiding both wealth creators and their beneficiaries.
Balancing accessibility and thoughtful guidance

One of the major societal shifts of the last twenty-five years is the evolution of technology and communications, which has led to an ever-expanding set of expectations for accessibility. No longer is work performed exclusively in the office or during the “workday,” in fact the traditional concepts behind such words are becoming almost meaningless.

Younger trustees are accustomed to that level of open exchange, having come of age with mobile technology and social media. They recognize that being available and responsive creates significant opportunities to build client goodwill and contribute insight at a moment’s notice – but the urge to respond quickly must be tempered by discipline and patience. Often the most helpful and accurate answer is not the first to come to mind. Wise guidance is a cogent synthesis of various outlooks, which can be hard to deliver without focused deliberation.

In fact, the faster pace of communications elevates the need for trustees to ask good questions in order to identify a decision-making path with reasonable benchmarks and boundaries. Whether working with a family for the first time or advising on familiar territory, the ability to slow decisions down and bring clients to a sense of sound judgment is a skill that is developed over time.

Finding cultural common ground

The goal of estate planning and the establishment of trusts is to help a senior family member’s philosophy and values endure across the decades, even as new generations interpret such ideas within the context of their own beliefs and experiences. To keep the focus on productive use of trust assets and the preservation of wealth – potentially for multiple generations – requires trustees and clients to grow together.

The next generation of a family is likely to embrace the familiarity of a trusted relationship, while also wanting to work with a younger trustee they know will be with them for decades. Strong new bonds are forged when young clients work with trustees who share cultural common ground and understand their experiences and perspectives, while also demonstrating a deep command of the relevant legal, tax, and investment issues.

That cultural common ground can be a major factor in determining which trustees will be the best fit with certain families and individuals. Trustees cannot help guide families if they cannot relate to their environment and worldview. Every family is different, but they are all affected by the circumstances of their time, and younger trustees must embrace the fact that their perceptions are influenced by the same events and circumstances that shape the families they serve.

Consider the generational impact of the Great Depression, the oil crisis of the 1970s, the boom of the 1980s and 1990s, and the stagnation of today’s globalized markets. Each wave of history introduces a generation that may be predisposed to certain investment philosophies, levels of risk tolerance, fears and expectations, and faith in the future.
For example, the incoming generation of wealth builders may feel they are at a significant economic disadvantage compared to previous generations, with higher unemployment and lower median income. This outlook is likely to shape the path that families take when looking to secure their (and their children’s) future. Young trustees may naturally have a more fluid understanding of that perspective than their predecessors, purely by virtue of coming of age in the same environment.

The added component of investing

The experiences of seasoned estate planning attorneys provide many advantages as they begin to serve as trustee for their clients. They will have spent years considering the intersection of tax planning with optimal family dynamics, and the effectiveness of various trust strategies. And through their interactions with clients, they will have gained valuable insight into effective communication and the handling of delicate family situations. Investment of trust assets may be one area in which junior trustees may have less experience.

Trustees often direct a family’s investments, which requires not only general investment acumen and knowledge of financial markets and instruments, but also an understanding of the family’s preferred investment style, risk tolerances, and liquidity needs. These factors are not to be taken lightly, and developing the requisite knowledge in this area takes time and, ideally, guidance. Younger trustees will benefit from the knowledge base of their elders, who have likely spent more time studying and synthesizing investment information, and who benefit from the wisdom and insights gleaned from witnessing a greater number of market cycles.

Even in this realm, however, younger trustees enjoy some advantages. New investment tools are being created at a dizzying pace. Trustees need to consider and advise on an ever-growing range of active and passive investments. Similarly, rapid changes in investment platforms, tax laws and financial planning options present a “new normal.” Younger trustees may have a greater familiarity with and command of these new tools – but of course must learn to wield them with the same discernment exercised by an older generation of trustees. Most importantly, senior and junior trustees alike must understand that trust investing should operate in a well conceived, logical manner that factors in a client’s overall wealth management picture.

Legacies for the next generation of trustees

Training the next generation of trustees is a process that requires diligence and patience, as real world experience is added to deep estate planning expertise. In the end, the fundamentals of the role remain the same from generation to generation; however, the environment in which trustees operate is constantly changing. With this context in mind, the best trustees will excel by applying their skills to each family’s values, relationships, and financial picture.
Endnotes

(i) 5 strategies to keep your heirs from blowing their inheritance, Anna Kates Smith, Kiplinger's Personal Finance, November 2015
(ii) 4 ways millennials have it worse than their parents, Josh Sanburn, Time Magazine, December 4, 2014

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