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# YOUR FAMILY BUSINESS AND TRUSTS

## Understanding Generational Perspectives to Successfully Navigate Your Transition

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## Objectives

- Explore through a case study how families can utilize trusts more effectively
- Overview of the trust landscape and 3 circle model
- Explore challenges and benefits of trusts in a family business context
- Consider the opportunity to use trusts differently

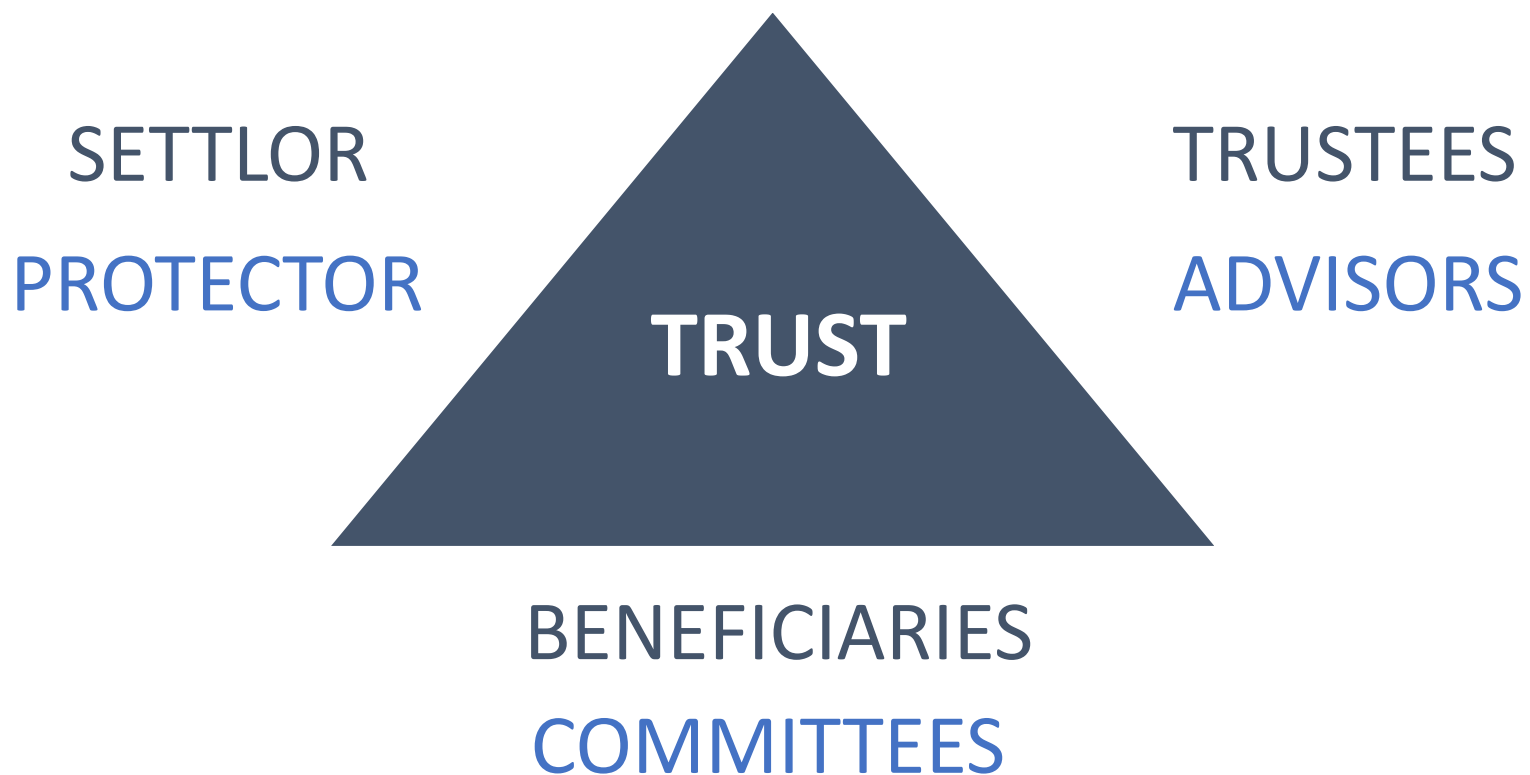
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## Landscape of a Trust – “Trustscape”



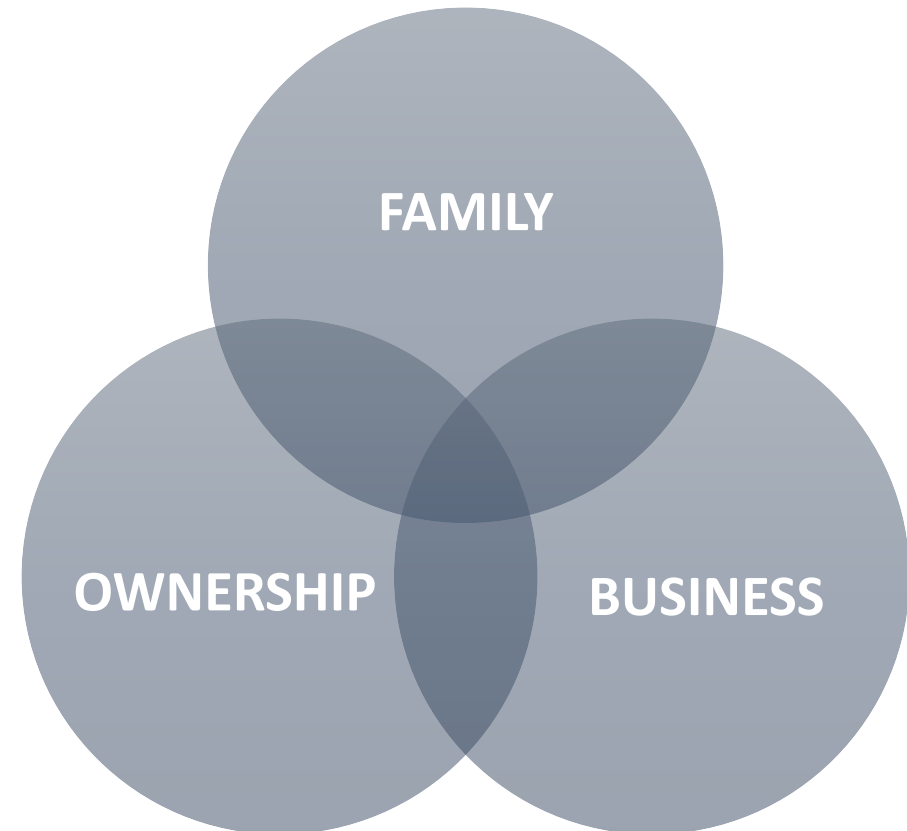
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# Trusts and the Three Circle Model



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# Common Reasons for Setting up Family Trusts

- Tax planning
- Control
- Privacy
- Blended family situations
- Charitable purposes
- Will substitute
- Probate planning

WHAT'S MISSING???



## Common Challenges of Trusts

- Trust deed is never referred to
- Trustees often do not understand
  - trusts
  - impact of trusts
  - serious fiduciary responsibilities
  - conflicts of interest
- Beneficiaries are often kept in the dark

RESULT???



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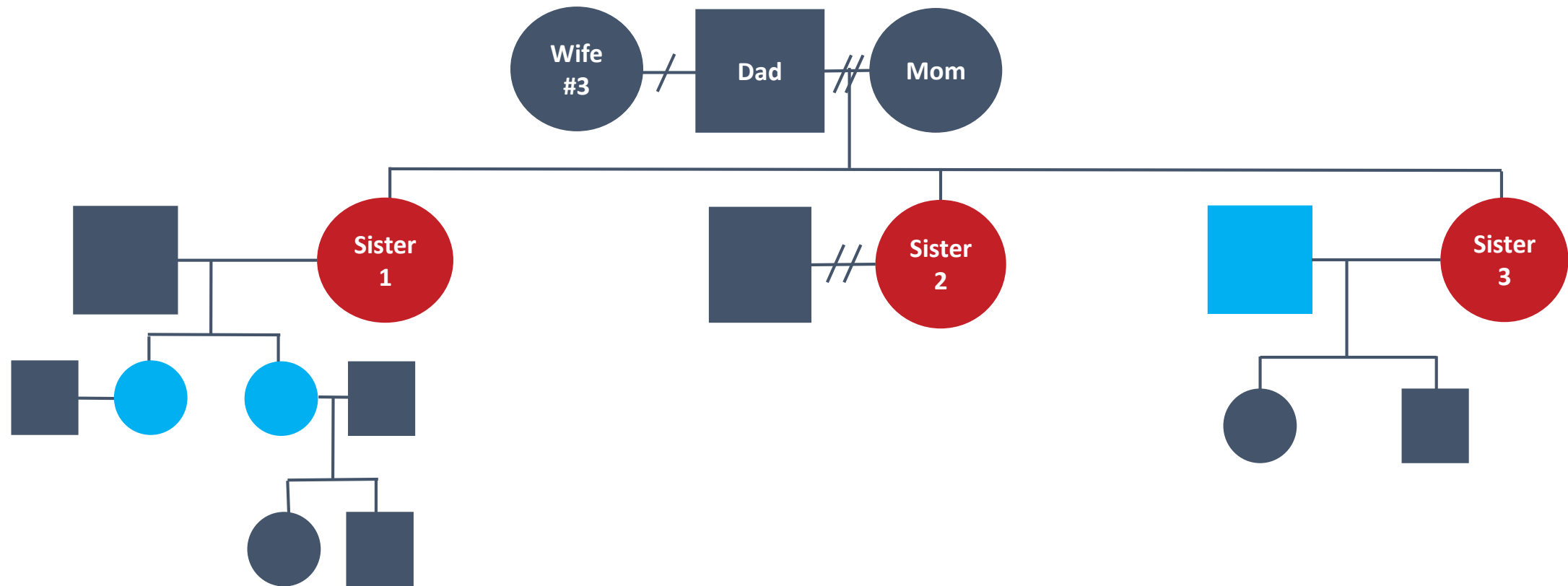
# FISH Family Case Study

“Well intended but not well executed”

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# FISH Family – An Overview







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## The FISH Family Business – SURPRISE!!!

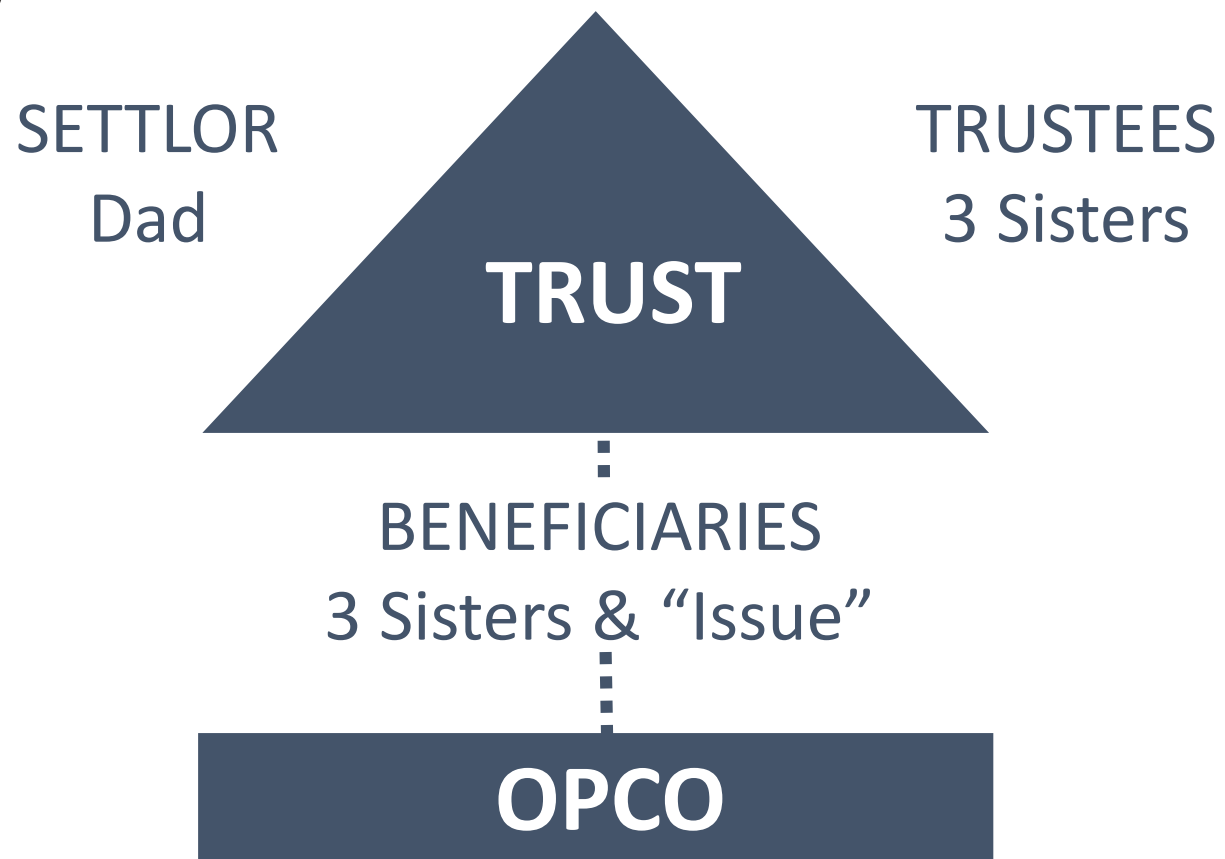
- No management succession
- Key non-family employee to retire in 5 years
- 3 sisters became directors
- Significant strategic business decisions on hold
- Employees kept in the dark
- No insurance

AND WHAT ABOUT OWNERSHIP???

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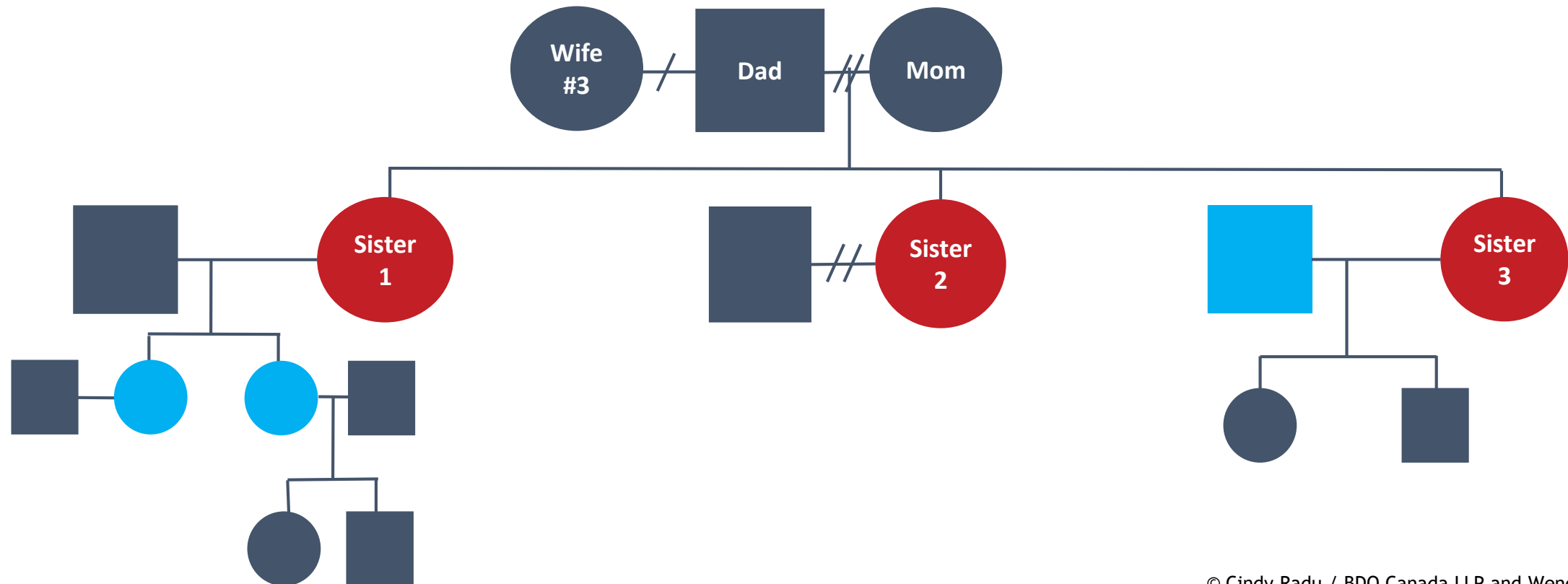
# The FISH Family Trust



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# FISH Family - Challenges for the Family and the Business



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## The FISH Family - What was Dad Trying to Accomplish???

- Control
- Tax efficiencies
- Keep family assets together
- G4 to be beneficial shareholders
- Others

WELL INTENDED, BUT WAS IT WELL EXECUTED???

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## The FISH Family – Was the plan well executed???

“Plans that affect us but do not involve us are not for us”

- Purpose of family
  - to enhance individual pursuits of happiness
  - overall pursuit of long term preservation of the family as a whole
- Does financial wealth SUPPORT these goals or is it THE goal
- “FISH” outcomes for FISH Family



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## How Could This Have Been Done Better???

- Communicate, communicate, communicate
- Educate, educate, educate
- Consider human relationship implications for all stakeholders
- Make sure everyone understands implications of plan
- Establish good governance practices
- Consider a trust advisory committee for support and mentorship

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## Growing Great Beneficiaries

- Understand and honour the intent of the trust/settlor
- Education regarding all aspects of the trust
  - administration, investment and distribution
- Learn how to work with professional advisors
- Foster a sense of gratitude

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## **Cindy Radu, FCA, LLM, TEP, ICD.D, FEA** **Partner, Business Transition Services for Western Canada**

As a designated Family Enterprise Advisor, Cindy helps individuals, family enterprises, business owners and family offices navigate the complexities and opportunities that come with wealth. Cindy draws on over 25 years of legal, fiduciary, trust and governance experience in professional services firms, financial institutions and family offices in her practice. She uses her skills to provide an objective perspective and facilitate understanding of how complex family, business and ownership structures can impact family dynamics and family wealth continuity.

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