



# NEWSLETTER Q4

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## What Drives Us

Fall 2021

As we enter the final months of 2021, disruptions continue as the developed world adjusts to a post-vaccine COVID-19 era. Troubles around supply chains, labour availability, work routines, school protocols, and social gatherings continue. Not to mention, the rhetoric around price stability (inflation), election promises, and personal freedoms are heating up. Nevertheless, we've taken time to pause and appreciate the progress made over the past 12 months.

For us, what always remains true is that the future, alongside the business cycle, will be unpredictable. That's why we focus our energy on ensuring the companies we own have the financial capacity to withstand disruption and the management teams necessary to be industry leaders. We believe that by doing so, we can capitalize on ever-changing new normals.

In this issue, we share a TD article discussing Family Enterprise and how good governance is essential to the long-term continuity of success.

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## Leveraging a Family Constitution

*Family Enterprise Series*

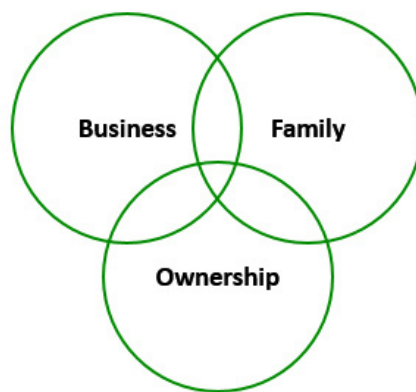
*Excerpts from the original article by TD Wealth.*

A Family Enterprise is much more than a family business; It comprises individual family members, the family as a whole and all aspects of the family's wealth. The business might make up a substantial portion of the family wealth but it also consists of the family's financial assets, real estate, heirloom assets (e.g. cottages, art, etc.), philanthropic interests, deferred assets such as life insurance, as well as the human and non-financial assets including the intellectual, social, and spiritual values of the family.

Good governance is essential for the long-term continuity of a successful Family Enterprise. The 3-circle model for Family Enterprises can help to clarify the various roles of stakeholders and issues that need to be understood when developing a family constitution. Governance mechanisms in each of the circles are needed to achieve a successful outcome.

Business governance may include an independent Board of Directors and/or an Advisory Board which, with the aim of neutralizing emotional decisions, ensures management takes a long-term outlook so the business targets its full potential, aligns with its business owners, and makes sufficient reinvestment in the business. These board members will hold regular Board meetings, consider strategic business planning, support executive and leadership duties, and will also evaluate management performance.

Governance at the Ownership level includes a well drafted Shareholders Agreement to outline buy-sell mechanisms, dispute resolutions, and contemplate shareholder death, divorce, retirement and/or disabilities. Where ownership is held within a trust, the trust deed requires similar drafting considerations. These agreements can also formalize the requirement



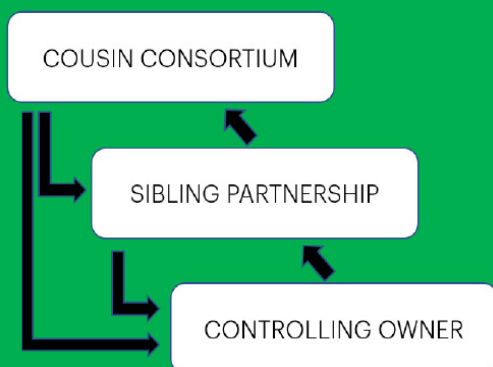
to hold shareholder/trustee meetings and assemblies, and have an owner's council in place as future generations become involved in the family business and the share ownership circle widens.

Ownership governance instills the discipline of separate bodies for each circle and determines the vision, values, and metrics of success for the Family Enterprise as a whole.

The goals for Family governance include family harmony, unity, engagement, learning, development, and strengthening/repairing relationships. Some of the key mechanisms to keep the family peace include a family constitution, holding well planned family meetings, appointing a family council, creating a family office, and creating a family foundation.

Family enterprises face challenges with the continuity beyond the founder and into successive generations. This occurs due to ownership and decision-making diluting from the original "founder-owner" into a "sibling partnership", then to a "cousin consortium", and finally, a more widely held "family syndicate". As can be seen in the below chart, this progression is not always linear.

## OWNERSHIP STAGES



Continuity challenges are one of the main reasons why so few Family Enterprises survive beyond the third generation - illustrated by the proverbial saying 'shirtsleeves to shirtsleeves in three generations'. For instance, the first generation builds the wealth, bringing a specific skill set to bear that grows the business. The second generation expands the wealth; these family members tend to become philanthropists and grow accustomed to their lifestyle. The third generation, far removed from the skills it takes to run the business successfully, spends the wealth. And the fourth generation is back to square one.

In the absence of clearly agreed upon principles of good governance to make effective decisions, family enterprises may face challenges with planning and decision making, suffer from poor communication, lack tools for dispute resolution, and suffer a breakdown in cohesive productive relationships over time.

### What is a Family Constitution?

A family constitution is an important written document created by the family to articulate the family's values (goals, aspirations, philosophies) and governance such as policies and processes agreed to be applied by the family to ensure a healthy and successful multigenerational family enterprise. While a family's

specific history is unique, many inter-generational family dynamic challenges are quite similar amongst families, which is why a constitution can help create a healthier pathway. As family members age, so will the management team, enterprise and industry. Inevitably, lifecycle advancement can challenge continuity in the absence of effective succession planning.

At its core, a family constitution defines the family's values, mission, and vision. It sets out policies for participation in the family business, communication, succession processes to ensure continuity of the business, and policies needed to ensure the family works as a cohesive unit.

### Who needs a Family Constitution and why?

A healthy family enterprise will ultimately face a myriad of interfacing lifecycles over time. The owners will age, go through various life events (such as marriage/divorce), may face creditor claims, the business and industry will mature, disputes may arise, relationships may become strained over future generations, and so forth. To maneuver around these natural lifecycles, which must be anticipated, a strong system of governance is required to ensure the continuity of effective decision making that reflects the core values of the family. Put simply, the family constitution can greatly assist a multi- generational family enterprise to achieve critical success.

**For the unabridged version of this report, please visit TD Knowledge Centre:**

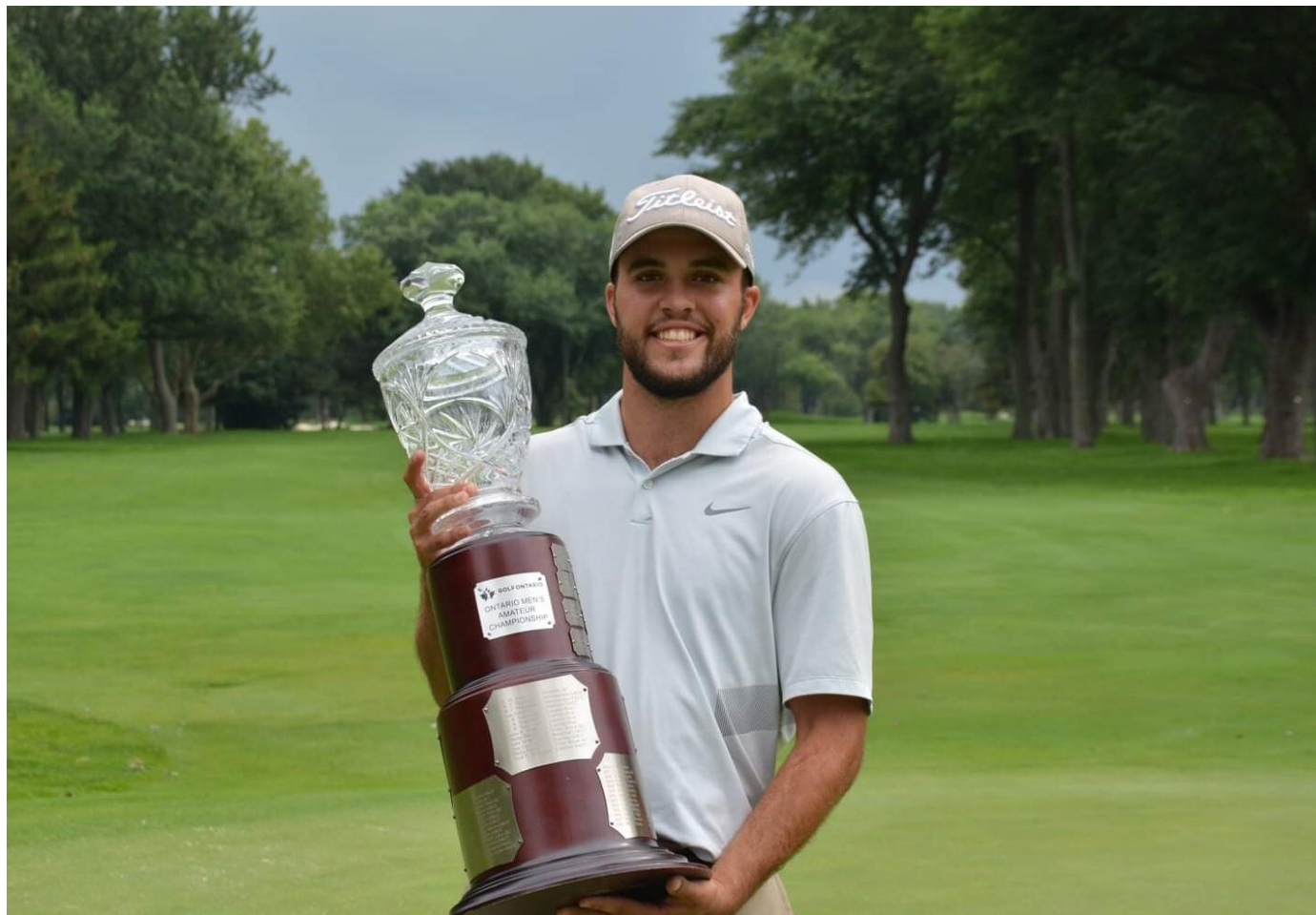
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# BDWM IN THE COMMUNITY

## Bringing the “A” Game

Brazier Dupuis Wealth Management is honoured and proud to sponsor the 2021 Ontario Men's Amateur Championship, which took place at Beach Grove Golf and Country Club. We were happy to see so many of our clients enjoy the event. Of course, congratulations to the winner, Thomas Giroux from The Club at North Halton! Special congratulations to Beach Grove Golf & Country Club for celebrating their 100th year anniversary!



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