

A stylized, white cursive logo consisting of the letters 'C', 'B', 'S', and 'G' connected together. The 'C' is a large, sweeping curve that starts high on the left and ends low on the right. The 'B' is a smaller, rounded letter. The 'S' is a simple, flowing shape. The 'G' is a more complex, looped letter with a long horizontal tail extending to the right. A small period follows the 'G'.

**CASTRO, BARROS, SOBRAL, GOMES**  
**ADVOGADOS**

# **FAMILY BUSINESSES IN BRAZIL**

**Preserving the Business, Protecting the  
Family – Trends and Techniques**

## WHAT WE ARE TALKING ABOUT



**A Family Business, for our purposes, is defined as a business in which the family has a significant stake and exercizes management control.**

**The business is the family's main asset.**

**In Brazil, despite the growth in the capital markets, the long standing presence of foreign direct investment and the increasing participation of private equity, the vast majority of the businesses are still family businesses.**

## COMMON ISSUES

**Non-compliance with the legislation: unrealistic accounting, underpayment of taxes, assumption of considerable legal risks, sometimes unknowingly; value destruction; financing difficulties.**

**Confusion between the assets of the business and those of the family; undercapitalization.**

**Conflicts between the needs of the business and those of the family.**

**Management positions are not meritocratic; employment of relatives.**

# THREATS

## External Threats:

**Market:** Normal and “rule of the game”; Competition, market evolution and even regulatory changes may destroy or greatly reduce the value of the business.

**Legal:** In Brazil, the separation between the assets of the shareholders/partners and those of the company is blurred; The family may answer with its assets for the company’s tax, social security, labor, commercial, product-related and environmental liabilities; personal warranties in bank financing.

## Internal Threats:

**Family disputes affecting the business**

**Succession / Divorce**

## MAIN OBJECTIVES

### **Protection of the Family and the Business**

**The family must diversify its investments, by asset class, location and jurisdiction; risks inherent to asset classes and jurisdictions; in a global economy, it makes little sense to have assets concentrated in a single jurisdiction.**

**The business must be shielded from the family originated risks.**

## WITHIN THE BUSINESS

  
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**Legal Compliance: everything “in” balance sheet; minimization of contingent liabilities.**

**Establish meritocratic management; governance structure with specific positions, tasks and powers; Transition; Advisory board; External audit; Board of directors – independent.**

**Share control of the business; Strategic partners, private equity, floating.**

## WITHIN THE FAMILY

  
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**Structuring the family governance so that conflicts are avoided or managed within acceptable and predictable limits.**

**Investment structure: international; family office; companies, trusts and foundations.**

**Succession planning, so that generational changes do not compromise the family assets; Limitations; Conflict of Laws; : trusts, foundations; *inalienabilidade, impenhorabilidade, incomunicabilidade.***

**Marital Planning: marital regimes; prenups.**

**Tax Planning.**

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