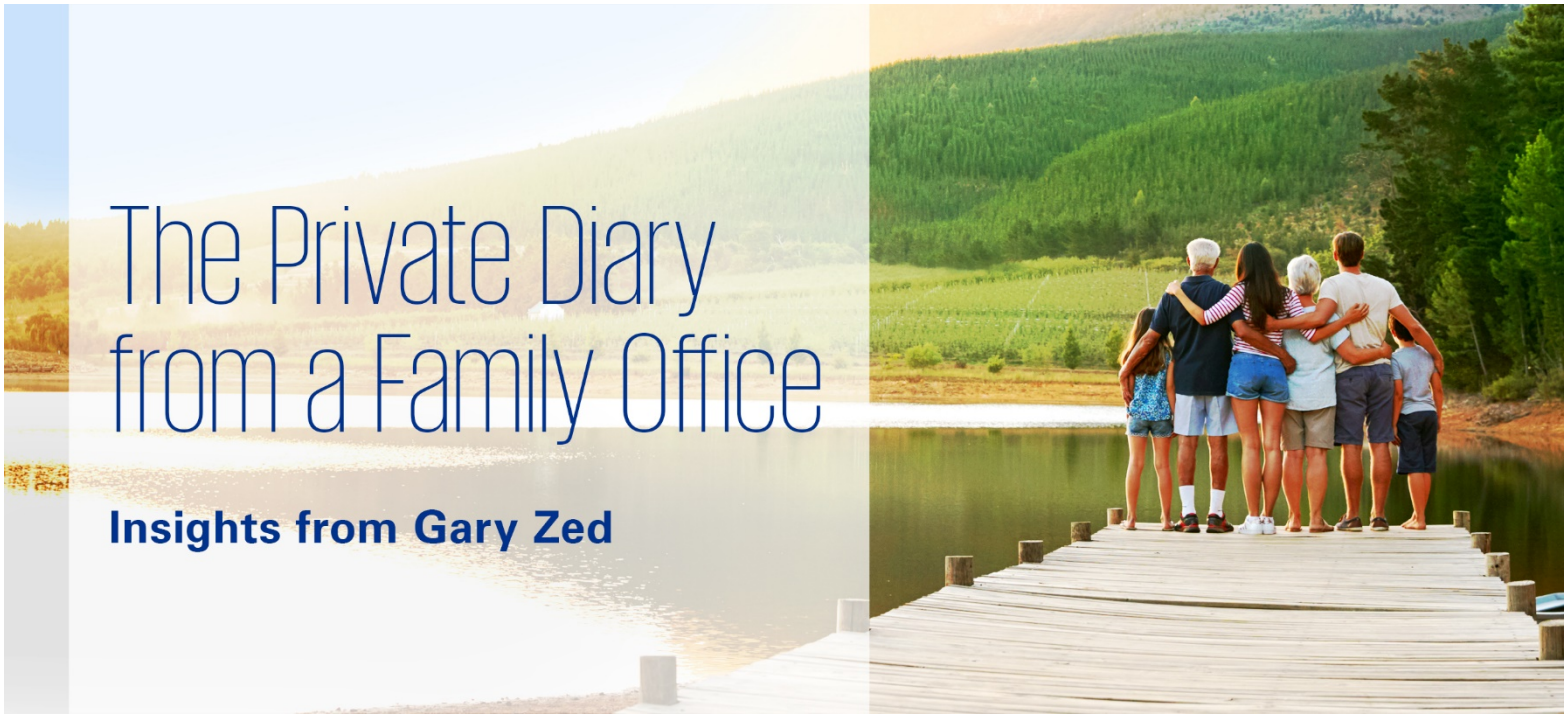


The Private Diary from a Family Office

Insights from Gary Zed

What Wealthy Families Tell Me from Two Metres Away: My COVID-19 Top "10" Takeaways?

For many of us, being cooped up can bring tremendous opportunity on two fronts: 1) get those often left behind pieces in your life finally cleaned up and, 2) convert tumultuous times into business opportunities not previously prioritized, warranted, or considered sensible.



Allow me to share my top ten thoughts based on conversations with many of my private enterprise and ultra-high net worth clients over the past two weeks. They can all start today and for each of us my hunch is a couple from this list definitely will resonate.

These times allow us to regroup and refocus on some core elements of both our personal and business lives. No one is finding it easy, yet, in each conversation, there is a silver lining. I remain very positive about our post-flattening the curve era and the resolve of those that have built great businesses to tackle their way through it. But don't use previous business disruptions as proxies for this current crisis. This time is different and it won't be business as usual in a post COVID world. There will be fundamental structural changes in the way we will operate our lives and our business.

My overall observation is simple- we have an incredible, once in a lifetime opportunity to regroup, reflect and reset. Don't mess it up! Do not let this brief pause pass without going that extra distance to push to something more meaningful and impactful for either your family, business or the community. It isn't an option. The outcomes will be absolutely rewarding for those that take these critical steps.

So, in no particular order, here is "your" summary. My hope is that you read this, digest it and TRULY action one or two of the items below. That's all I ask.....and of course happy to chat anytime!

1. Willing Wisdom and the Will Reveal

I am constantly shocked about how far too many of us are behind in making decisions as part of creating or updating our wills and working it in tandem with your tax and estate planning. The numbers are quite staggering. Have you truly reflected on this? Why not? Get it started now because it isn't about you and is more about the relationships you leave behind. We delay this too much yet it truly is the most important blueprint for our families and our legacy. We secretly prepare them, yet we never discuss them. We live in a culture that struggles to talk about late in life care, end of life care, our financial affairs and generational transitions - though it should be top of mind for all of us.



I met (virtually) with two families this week and our KPMG Wills and Estate team to start the conversation and have discussions on their wills and estate plan. This is an exercise that took just 45 minutes to get going even though it had been left for years and now is a perfect time to move forward.

What we always learn from these exercises, is that it's not just about a will. It is about setting your family up for success and it is a great way to share your thinking, decision making and your values. We associate way too much negativity to the will planning exercise by virtue of its association with death, when it should be just the opposite. I am spending more and more time with clients on the Will Reveal to help socialize the Will now with both the family and beneficiaries so they are prepared to manage it right.

I love the book *Willing Wisdom- 7 Questions Successful Families Ask* by Thomas William Deans. It is a very simple read, but has some great tidbits.

2. Philanthropy Policy Reboot: Saying Yes and Saying No

Philanthropy a month ago remained a very top of mind issue for many. My clients are some of the most generous in the country. It is in these particularly difficult times that we are called on to dig a bit deeper and to support those groups and individuals desperately needing our support. Let's not forget them. But there is little doubt in my mind that we will see a paradigm shift in a post COVID-19 environment. I already know my friends and clients have had to pivot quickly on these matters either to change their focus areas to urgent needs of the community or because of circumstances, reduce allocations to their philanthropy bucket. The fact is simple: there will be fewer funds available in the future, yet the asks and needs will become greater.

Tanya Carnegie, Leader and Chief Catalyst, Impact Ventures for KPMG and I are working closely with a few families now as they work towards a philanthropy policy. Many of my clients have historically struggled to say "no thanks" because of their generous hearts, but having a family



philanthropy framework in place is absolutely critical on a go forward basis. Brutal as it may sound, families and family businesses will need to make tough decisions and the choices will be centred around a **policy framework versus an emotional framework** for their giving to be more focused, impactful, and frankly, to give them the ability to say "yes" and "no" in their support of the community.

3. You CAN Get Blood from a Stone: You Don't Ask, You Don't Get



I like a deal (I learned it early on from my immigrant grandparents) and I like to get value for money. I suspect most of us do but usually we are too busy; it becomes "noise" or a very low priority relative to the larger items at play when the bottom line is plentiful. We all know it is a poor excuse and now a few quick calls while home will likely be very rewarding.

To prove a point to one client last week, I coaxed him (that took more time than the actual effort) to let me have my amazing assistant see what she could do to reduce some of his annual or monthly payments. The results were incredible. We reduced his telecommunication charges by 50% and his household insurance by 15% for an annual savings of close to $8,000. The total effort was about an hour of time and that was just on the home front. Many of us know we are constantly overpaying on many of our day to day services but just don't make the time or have the patience to deal with it.

As part of our Life Admin practice in the KPMG Family Office, my colleague **Jon Veldstra** and I spend a great deal of time managing family expenses and spending reports, managing household affairs for our families and protecting our families from these types of situations. The team acts as the intermediary for many third parties to ensure you are getting value for money in all aspects of your life. While the examples are simple, we allow this to happen to ourselves each and every month and if you are like me, complain about it. Well let's do something about that today.

4. Who's Up and Who's Out: Wealth Audits and Advisor Selection

How have you weathered the storm will be a question on the top of many minds. It will become the virtual cocktail party talk over the next few months. I have some clients who have had almost zero impact in their portfolios and others have had tremendous adjustments, down 30+ percent. There are events in our lives that cause us to make changes to our professional advisors. Sometimes it happens when your banker, doctor or lawyer retires and that acts as a catalyst for new relationships to be brought into your family circle. I have heard some rumblings from my chats with a few clients who are likely considering a change in advisors.



Many have weathered the storm quite well! I pride myself in working with a curated group of legal, banking, financial and tax advisors. I trust and know they will do a great job with our clients. We work closely with some clients to identify legal, wealth and accounting teams to match your needs and to keep them accountable. As part of that process it is important to interview at least a couple of advisors and essentially carry out an RFP/Advisor selection process. Case in point was just a few weeks ago. I had a client wanting a new corporate lawyer and introduced her to three options to see which one best suited her needs. I am lucky to have the resources of **Gregory Sanders** and **Alaina Spec** of KPMG Law LLP readily available but as part of being objective it was important to identify a few options to ensure the client had the right fit. As part of that process, we helped negotiate all aspects of the new relationship.

5. Time to Say Hello: Historic Opportunity to Start your Family Meetings

So, this is the big one for me! Compassion and empathy are bringing even strained families together today. It is unprecedented to see so many warm, kind, caring loving messages and pictures from and about families. We have been drawn together and families are adapting to a new order. Take advantage of this important time. It is likely a once in a lifetime opportunity and our guards are down to open up more.

Of course, we are all a bit nervous for our families, our business, our health, and our employees. We can all find a numbing sort of solitude and passage in Netflix, our favorite mini-series, a great book or a puzzle! Yet, we have a unique opportunity to actually talk, share and communicate. The proverbial "walls" have naturally disintegrated. There has been a revival of the power and importance of family and community. It has allowed us to talk about what is on our mind. This is an unprecedented and short-lived opportunity to start those family meetings and, in some cases, to reach out to strained relationships. Just for the record, I did. It was a good step forward. We are all in this together and we must come out of this together, stronger.

We have a bit of extra time on our hands so why not give it a shot. To start is simple. There are many ways to connect – Zoom, Google Hangouts, Facetime or just a phone call to say hello. And if you are ready to get some real or virtual chats going to warm up, some of my favourite questions (as a few of you know) to get the conversations going are:

- What is one word you would use to describe your family?
- What values do you want to pass on to your children?
- How are your values different from your parents?
- What is your philosophy on saving money?
- How can you improve family communications?
- How do you manage conflict in your family?
- Describe in detail your last wishes!
- What are your feelings on passing on your wealth?
- In the family business, what is the rite of passage?
- How do you promote a generous, giving family?



We have discussed this approach many times at our Family Office sessions, and now is a wonderful time to implement some communication rhythm. **Daniel Trimarchi**, Family Business Advisor and Program Director of KPMG Private Enterprise Global Centre of Excellence for Family Business and I have chatted at length about this and it is great timing now that we are hunkered down at home.

Many of you have benefited from my exploring family conversation cards from 21/64. I have about 25 packs sitting in my home office and happy to drop one off for you. Absolutely wonderful table conversations with so much time together. The other "at home" tool I will reinforce now is the Family Business Dynamics Tool - available here:

https://intra.ema.kpmg.com/sites/GSM/GO/Pages/DynamicsAssessment.aspx

Try it out and have your family members do it too.

6. Doing a Deal in a Not so Perfect Storm: Buying-Selling-Refinancing the Business

Well that just depends on the day to be honest. I have been spending much time with my friend and colleague, **Joe Pietrantonio**, Managing Director Deal Advisory Practice at KPMG. Just a month ago he was pondering the peak of the market and I recall his sage advice then- it is going to end eventually so now is a great time to sell.



Well, here we are and many clients have now put a sale on hold, but at the same time others have not seen any impact and are moving ahead. Some see great opportunity. One thing I do know from my 30 years of practice, the tough decisions that many are making need not be done in "isolation".

Certainly there are tremendous unprecedented opportunities at the moment and there is available capital for your businesses from the banks, EDC and BDC for example, but the squeaky wheel gets the grease and doing it alone will be challenging. You have one shot to get it right and to properly present your company's business plan. Often times the lineup can be long to get in the door with these organizations particularly if you are new to these organizations.

Joe and I are currently going through the process now with BDC to assist one client with urgent capital requirements. We are looking for $2 million. On the surface it appears straightforward but there are processes and steps that need to be followed within the BDC.

KPMG Corporate Finance is one of Canada's largest independent investment banking advisors ranked #1 by Thomson Reuters in 2019 and in 2018, for completed transactions in Canada. Joe and his team have a real focus on the mid-market and have delivered numerous transactions for entrepreneurs, private equity groups, and public companies. He can provide direct access to potential buyers domestically and internationally. His credentials demonstrate our strong capabilities in private company M&A, corporate carve-outs, cross-border transactions, and private financings. If you need anything in this department, Joe is tremendous and I can definitely hook you up.

7. Don't Look a Gift Horse in the Mouth: Leave NO Stone Unturned in Accessing Free Money



Historically many of us have side stepped various grants, credits and incentives available for our businesses or families. Given the times that we are in, there will be more of a push by the authorities to make additional cash available to companies through existing programs and we can certainly help you with these. We are also working to try to understand and anticipate the new programs that are coming down with respect to COVID-19 and will be there to help with those as well.

There are literally **hundreds** of federal and provincial grants, subsidies and incentive programs available and there will be more. I am always amazed how underutilized these are and how dismissive clients have been in the past. Why? Well, it's not unlike my earlier comments about household costs. In relativity to other initiatives and priorities in the business, these programs were not worth the effort and are often seen as a distraction for business families. Now is the time to take advantage of every program available.

Currently I am working with **David Durst** and **Geoff MacDonald** from KPMG's Tax Incentives Practice to start two Rapid Incentive Audits for family businesses to identity all eligible grants and subsidies available. I know we will find lots of previously untapped sources of grants and subsidies.

8. Regroup, Reflect and Reboot: The Competitive Advantage of a Lifetime

Remember this: Those that take advantage of this moment in time and actually do something about the long overdue strategic reviews and business refresh will absolutely come out of the storm with an extreme competitive advantage in both their business and family environments.

There is definitely some quiet time for a few weeks. Some of the core family and executive team will want to rethink the business plan and the business model. Opportunity is embedded but hidden in your operating model. I am 100% certain about that.

My favourite exercises (which can be done virtually) are the following:

A. 360 Diagnostic in "Isolation"

It is ironic that we get second opinions on legal advice, a medical diagnosis, a car quote, household items, or a contractor yet we seem at odds with challenging the most important and impactful part of our ecosystem: our corporate operations and our overall tax structure. I have struggled with that for years. Why? It just never makes its way to the top of the pile because of the "busy" factor. You are essentially saying by analogy that "I want an executive health

check-up" or "I am going to the Cleveland or Mayo Clinic". This falls into the no brainer, no risk and only upside category.

The 360 Diagnostic reflects the methodology we use with our clients. That is, we use the breadth and depth of our local teams, to deeply understand our client's business and to look for proactive business betterment ideas, on an ongoing basis.



Our objective is to learn what is important to you and not all of this shows up on paper. We need to understand vision, strategy and shareholder dynamics. When we have the requested information, our KPMG team will have an internal review meeting, to discuss business betterment ideas. We will then request a meeting with you, to discuss what we have learned to that point and to validate what is important, from your perspective. We will use this opportunity to discuss our learning and confirm what are primary opportunities. From that point, we will put together our written 360 Diagnostic report and then request a second meeting to present our findings and recommendations to you. While we often find a number of things for the shareholders and key individuals to consider, we will rank recommended priorities. Depending on the availability of all involved, this usually takes 4 - 6 weeks. Our experience is that shorter time frames are better, if possible.

This is a perfect time for this exercise with your core team and can be done virtually! **Pat Madden**, Vice President, Business Development with KPMG Enterprise is a natural at this and I have witnessed many successful stories.

B. Lean Services in Isolation: Trimming the Fat

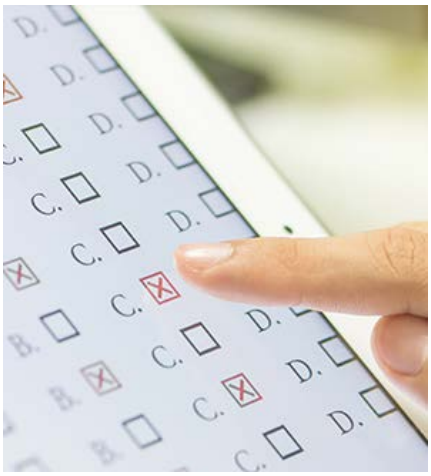
As the world goes through unprecedented layoffs and downsizing, I have heard a **dozen times** from the leaders of these organizations what they have learned (didn't know) and how there is so much room to find efficiencies. You will have tremendous opportunities to start with a whiteboard and build a leaner and more nimble enterprise. The fact is many family businesses can trim the fat without impact.



A wise and very successful Canadian iconic entrepreneur always reminded me about "a better product for a better price" every time we met. The goal of our lean services practice is to assist organizations in implementing a continuous improvement mindset into the organization, to help align the activities and actions of every individual within the organization towards achieving the strategic goals and objectives of the organization. The full implementation of continuous improvement starts by working with the leadership

group to identify and articulate the organizations strategies in a way that can be absorbed by the employees, the creation of a true north metric, one each employee will work to achieve each day. Then breakthrough measures are used to assist in the achievement of the entity's true north. Continuous improvement seeks to engage the staff of the organization, once trained, to identify and eliminate waste in processes performed within the organization which will free up time and resources that the organization can deploy towards achieving its strategic objectives. I have worked with **Rob Clayton** and **Dale Schattenkirk** and have seen amazing results. Organizations that do this well are able to achieve more with less, and each employee becomes empowered to continually strive to improve the processes every day.

C. Rapid Tax 360



In the days of multiple-choice exams, when in doubt I always told my children to pick C! So even if you can't operationalize A or B, then C will make a lot of sense as it relates to your current tax operations and structures. Suffice it to say there are incredible opportunities for an **independent** tax check-in and check-up. Much of this would be picked up as part of the 360 Diagnostic. I have seen several immediate examples in the past week on loss utilization strategies, foreign exchange opportunities, asset protection opportunities, Refreezes, Income Splitting, to name a few. I was just reviewing a list of no less than 75 new ideas from **Kevin Bennett and Cliff Taylor**, two of my partners in our Private Enterprise Tax practice and happy to run one of these exercises with you. My experience has always shown a positive outcome for those running such an exercise. The time has never been better.

9. Leadership

Many of my conversations touched on the difficult challenges with layoffs, reduced hours, terminations and the ability of the organization



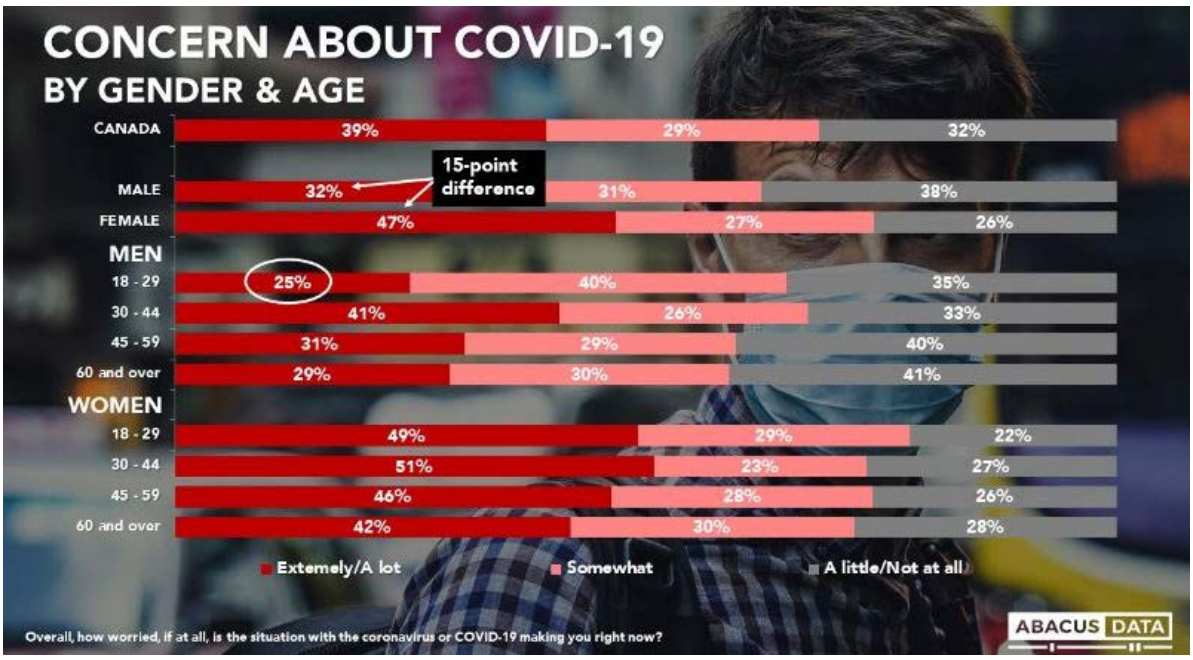
to manage these situations in unprecedented times. What I did hear though, was how these moments bring out the best in your real leaders and those who shine in these difficult unchartered moments. Take note and acknowledge them. These will be your keepers and these are the ones that are part of the leaner machine when you reboot. At the same time, many family enterprises operate like families and it is a very emotional and stressful time for everyone. My friends at Abacus released their new poll last week and it is an important validation of the impact this issue is having on the health and welfare of our people.

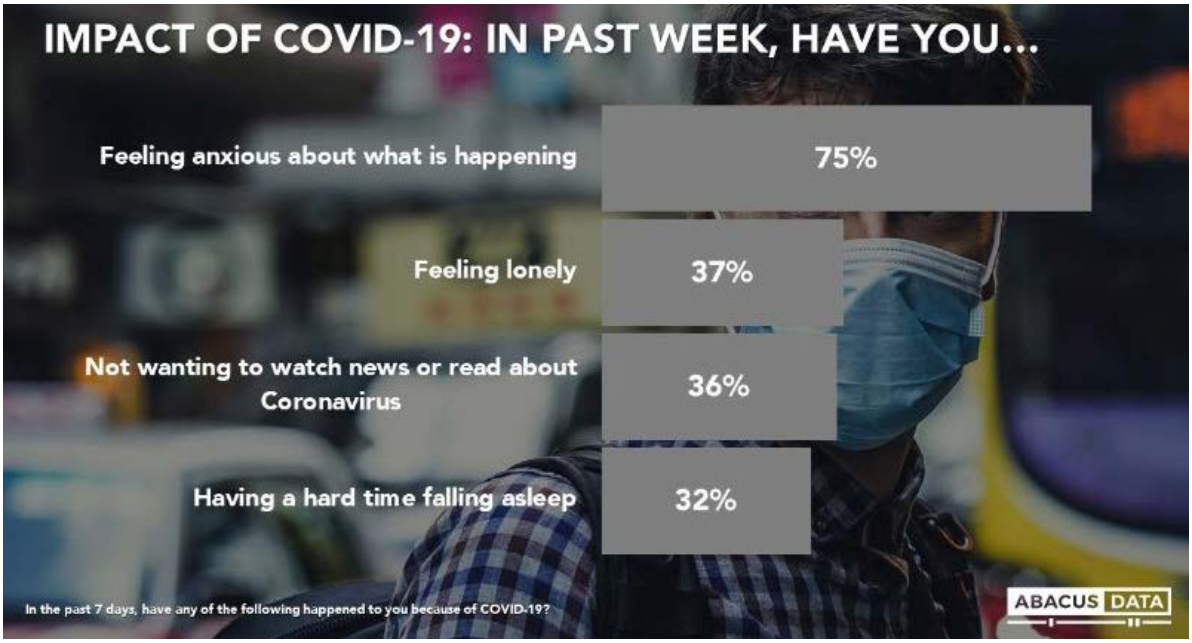
According to Bruce Anderson: "No one in Canada has experience with a situation like this – where financial collapses surround us, and the prospect of a health system collapse looms large. Isolation means people are consuming large amounts of information about the crisis, which is helping them prepare, but also driving high levels of anxiety and making it clear that

economic health, physical health but also mental health will be challenges for the country in the days ahead."

According to David Coletto: "It's clear that the COVID-19 outbreak is unprecedented on so many levels. The level of attention Canadians are paying to the issue, the deep seated and broad concern people have, and the uncertainty around how long it will disrupt their lives.

Our data also points to a growing mental health impact. Millions report not being able to sleep well, feeling lonely and anxious, while some have even considered turning off the news because of how it makes them feel. The impact is broad and deep. Most troubling is the varied reaction among different groups of Canadians. Men, especially young men, are less concerned. They are less likely to be distancing themselves from others, and less likely to think the epidemic will last for longer. As a rapidly evolving issue, perceptions and views will undoubtedly change, but the big picture of our state of mind is profoundly concerning. Canadians are feeling anxious, worried, and uncertain about how this will turn out. Most still feel the worst is ahead of us, and many are unprepared to self-isolate or be locked down."







10. This Too Will Pass: Your CRA Vacation Ends in September

Be ready! The attention to your CRA matters will return and rest assured that as the government recalibrates to the challenges of unprecedented debts and deficits, they will be actively pursuing previous matters with a vengeance and looking at new ways to enhance audit activities. My prediction is the double taxation, transfer pricing and domestic-international disputes will reach new heights. The challenges to aggressive tax plans will be fierce and the attacks on HNW Canadians will reach new levels. Building your CRA relationship will be essential and managing it in a proactive way has been a best practice I have adopted for 30 years. Having built the largest

dispute and revenue administration teams in North America, I know there are many key steps that must be taken now to be ready for the inevitable.

Final Thoughts: Thankfulness, Health and Routine

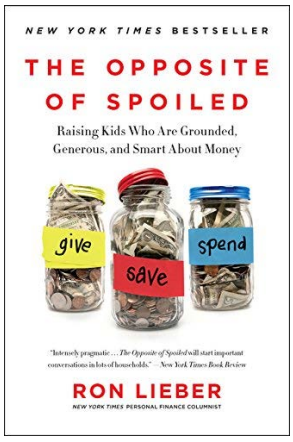
On a personal level, I am blessed to be with my family, friends and colleagues albeit virtually. I actually had a Zoom call this week with 11 nieces and nephews to discuss a business opportunity with them and they are resilient and positive. I spoke to one of my partners stuck in Australia about a family governance issue. I am watching a client go through layoffs. I spoke to another client about what new business opportunities to invest in. I have a tenant who cannot make his rent payment. It is all a bit disruptive.

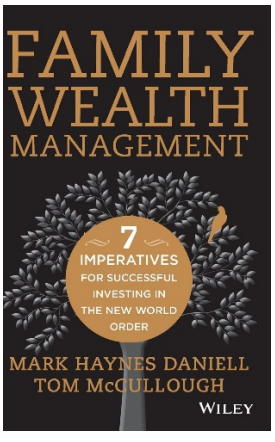


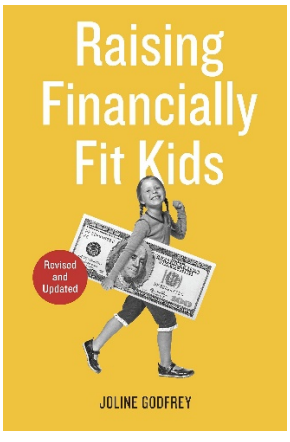
Here is what is important:

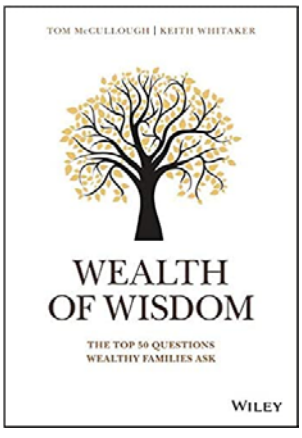
- Look around - we have all recalibrated on what is important to us- do not lose sight of that.
- Get some exercise - which for me has been strength training and a workout every morning.
- Connect with family a couple times a day. My two boys are now home and working/studying in their home offices and getting into a new routine which includes eating well, sleeping well, physical distancing and a daily walk with their Dad. My daughter is in the heart of NYC and safe.
- Do not lose your compassion and caring nature which got us to where we are today

A few of my favourite books to dive into in your spare time are:









The Opposite of Spoiled: Raising Kids Who are Grounded, Generous and Smart About Money – Ron Lieber

Family Wealth Management: Imperatives for Successful Investing in the New World Order – Mark Haynes Daniell and Tom McCullough

Raising Financially Fit Kids – Joline Godrey

Wealth of Wisdom: The Top 50 Questions Wealthy Families Ask - Keith Whitaker and Tom McCullough

I am here to help. Give me a call or text at 613-899-0960. And to all of those on the front lines, thank you!

G

P.S. I am from a Family of seven brothers and sisters, all very successful and with amazing families. When I ask about the "one" word that describes our family the answers were: loyal, protective, true, resilient, caring and real.