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Succession in Brazil

Thais Marzo and Luciene Franzim discuss the succession and governance challenges facing Brazilian business families in sustaining wealth and continuity across generations

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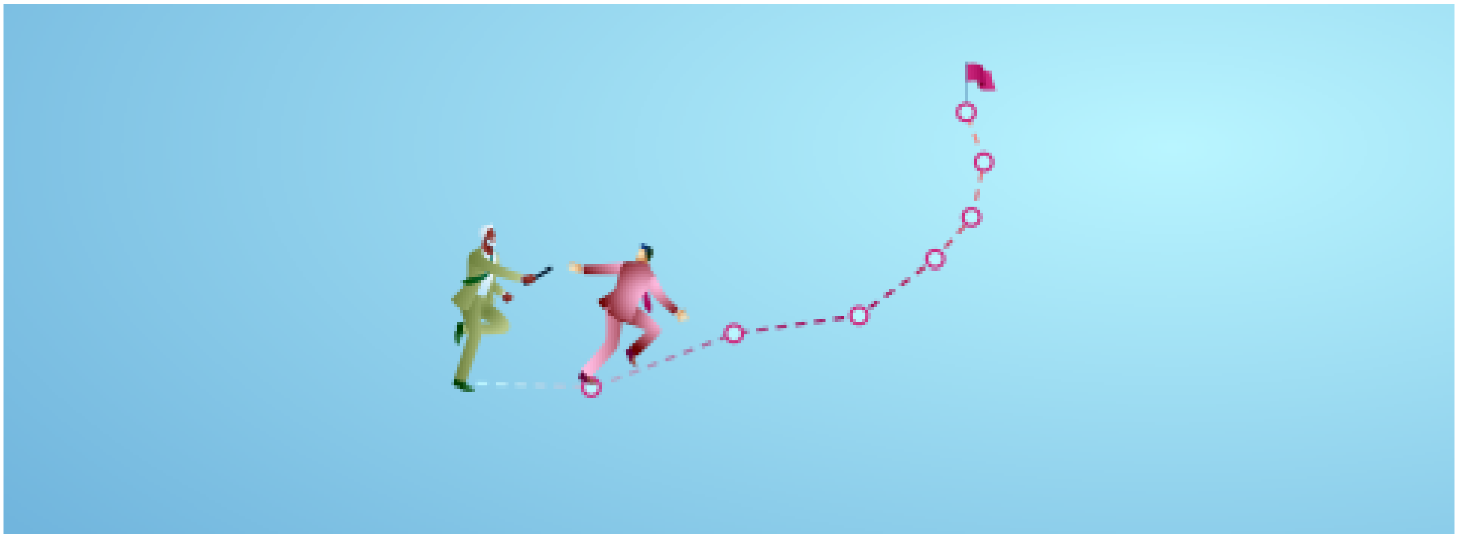

What is the issue?

Family businesses play a central role in the Brazilian economy, yet maintaining continuity across generations remains a persistent challenge.

What does it mean for me?

The risks of intergenerational wealth dissipation and the tendency for families to seek professional advice at a late stage. In the context of Brazil's current tax reform, these dynamics have become increasingly significant.

What can I take away?

Insight into why earlier estate planning, effective wealth management and stronger family governance are essential to preserve both businesses and family wealth across generations in Brazil.

Family businesses play a central role in Brazil's economy, operating across multiple sectors and accounting for a significant share of employment and wealth generation. Data from the Brazilian Institute of Geography and Statistics indicate that approximately 90 per cent of companies in Brazil are family-owned, representing around 65 per cent of the country's GDP and employing roughly 75 per cent of Brazilian workers.[1]

Governance structures across generations

Despite their importance to the Brazilian economy, many of these businesses face difficulties in maintaining continuity across generations. A study conducted in 2018[2] involving 279 unlisted Brazilian family-owned companies found that in 71 per cent of cases, at least one member of the first generation remained involved in the company, whether in management, on the board or as a shareholder. This percentage remained almost the same for the second generation. However, by the third generation, it fell to 28.7 per cent and, by the fourth generation, to 5.7 per cent.

In Brazil, the popular saying 'rich father, noble son, poor grandson' reflects this process of dissipation of wealth and business assets, a phenomenon that also occurs in other countries.

In this context, wealth and succession planning, combined with structured family governance mechanisms that ensure decision-making processes extend across generations, emerge as essential tools for continuity. In Brazil, however, the adoption of such practices tends to occur reactively and at a late stage, with members of family businesses seeking professional advice only after pressure factors have arisen. The study noted above[3] identified the main triggers for seeking governance structures, including the entry of new generations into the business, generational conflicts, the death of founders, the need for management professionalisation and the implementation of a succession process.

While senior generations often focus on preserving wealth and maintaining the original business, younger generations frequently display a greater diversity of interests, professional paths and global perspectives.

Taxation reforms

In addition to challenges within family businesses, institutional and regulatory factors have also increased the relevance of succession planning in Brazil. In 2026, Brazil will begin implementing a major tax reform, adopting a dual value-added tax system. Within this broader reform process, lawmakers are also introducing relevant changes to the taxation of wealth, including the reintroduction of dividend taxation, the implementation of a minimum tax rate on high-income individuals and changes to the inheritance and gift tax (ITCMD).

From fiscal year 2027, ITCMD is expected to increase significantly. All Brazilian states will be required to adopt progressive tax rates of up to 8 per cent, alongside the standardisation of the tax base, using the market value of assets rather than their book or official tax value. These changes are likely to have a substantial impact on transfers of large estates.

This reform has already prompted greater attention from business families and high-net-worth individuals regarding the organisation of their wealth structures. In many cases, there has been increased interest in succession-planning instruments aimed at mitigating potential impacts and improving the efficiency of intergenerational wealth transfer. However, structures designed solely to reduce the tax burden may generate unintended consequences where they fail to consider family dynamics, the interests of different heirs and governance.

Succession challenges

The study[4] highlighted several key challenges in implementing governance and succession planning, including the concentration of power in the hands of the founder, socio-emotional resistance to professional management and a lack of prior governance knowledge among senior generations.

Founders typically exercise strong control over strategic and operational decisions. While this is often a decisive factor in the initial success of a business, it may become an obstacle during generational transition. There is also a psychological and symbolic dimension associated with succession, as the transfer of control and leadership may represent a moment of personal identity redefinition. The withdrawal of senior generations represents, in a sense, the 'death' of their leadership role and primary function within the family business. Brazilians tend to say 'if I die' rather than 'when I die', underscoring the importance of advising clients on preparedness and alignment between generations.

Another central element in this process is communication between generations. Differences in values, expectations and strategic visions between generations may become a source of tension. While senior generations often focus on preserving wealth and maintaining the original business, younger generations frequently display a greater diversity of interests, professional paths and global perspectives.

In such circumstances, the absence of formal family governance structures may hinder consensus-building and the alignment of expectations. As a result, conflicts that could otherwise be managed proactively may arise more acutely, sometimes compromising both family relationships and business stability. In this scenario, family governance assumes a crucial role in creating mechanisms capable of promoting the long-term continuity of business families.

> ***Where families do not discuss and define their own rules, those rules will ultimately be determined for them by lawmakers.***

Avoiding conflict

One of the most widely used models for understanding these relationships is the Three-Circle Model of the Family Business,[5] which distinguishes three interdependent spheres: family, ownership and business. Not all family members will occupy all three circles simultaneously. Some may be solely shareholders, others involved in management, while others maintain a predominantly familial relationship with the shared wealth. The clear definition of these positions and the rules governing the interaction between them is essential to reduce ambiguity and avoid conflict.

Another relevant aspect concerns the increasing diversity of trajectories among younger generations. It is increasingly common for members of business families to pursue careers outside the family business, to create ventures in new sectors or live and work abroad. There are even cases of marriages between members of families controlling competing companies. Issues such as the participation of heirs living abroad, the management of internationally diversified wealth and the integration of different professional projects are becoming increasingly common in governance discussions.

Certain sensitive matters must therefore be addressed openly and transparently, even where they involve personal, financial and emotional considerations. These include defining clear criteria for the entry of family members into the business, including:

- minimum educational and professional experience requirements;
- rules regarding matrimonial property regimes and their implications for shareholding;
- liquidity policies for the exit or reduction of interests; and
- guidelines for the use, preservation and allocation of shared family assets.

Where families do not discuss and define their own rules, those rules will ultimately be determined for them by lawmakers.

Brazilian law already provides default rules for matters such as matrimonial property regimes, civil incapacity, testamentary provisions, shareholders’ buyout and the distribution of profits. Therefore, the absence of clear family or shareholders’ agreements means that the applicable rules will be those established by lawmakers, rather than those that best reflect the values, interests and long-term objectives of the family.

Conclusion

Although topics related to succession may initially cause discomfort, structured discussion helps reduce uncertainty and align expectations. Addressing these matters in advance increases predictability in wealth management, enabling more strategic administration aligned with the family’s long-term goals, while also preventing conflicts and disputes that frequently erode the wealth built by previous generations.

In this context, succession planning should be understood as part of a broader strategic planning process for business families. It involves not only the transfer of wealth and management, but also the definition of shared values, intergenerational objectives and governance mechanisms capable of sustaining both the family and the business across generations.

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  Brazilian Institute of Corporate Governance (IBGC), Carlos Velloso, Andriei Beber, Bruno Basso, Carl Heinz Müller, Léia Wessling and Paulo Viana, IBGC Blog, 'Conselho de Família e as principais ações para perpetuar a governança', 11 November 2021, accessed 10 March 2026

- [2]

  IBGC, Governança em empresas familiares: evidências brasileiras (São Paulo, IBGC, 2019)

- [3]

  Governança em empresas familiares: evidências brasileiras

- [4]

  Governança em empresas familiares: evidências brasileiras

- [5]

  The Three-Circle Model of the Family Business was originally developed by R Tagiuri and J A Davis, 'Bivalent Attributes of the Family Firm, Working Paper', Harvard Business School (Cambridge, MA, 1982), reprinted in Family Business Review, 9:2 (1996): pp.199–208. For a detailed discussion, see K E Gersick and others, De geração para geração: ciclos de vida das empresas familiares (Portuguese translation, Alta Books, 2017).