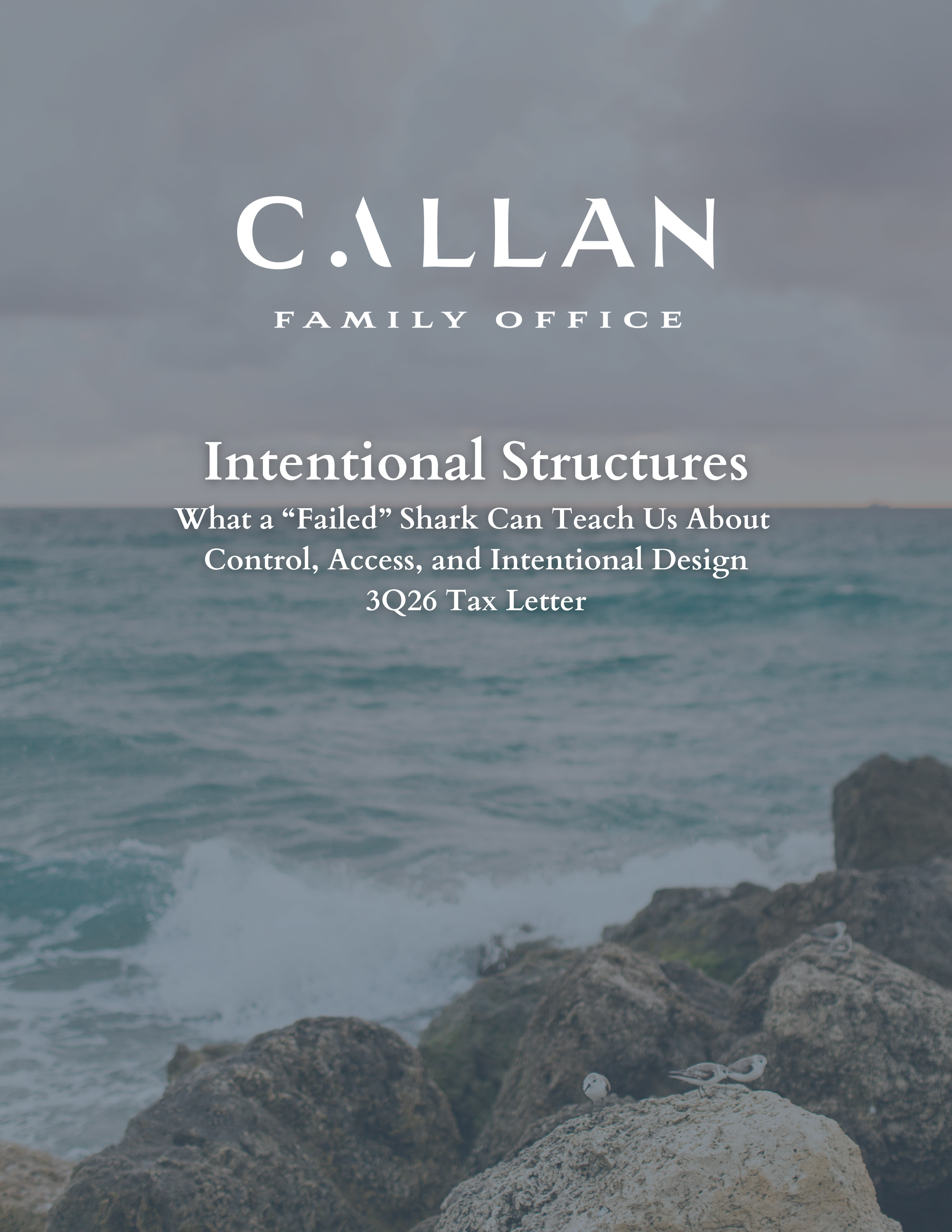


CALLAN

FAMILY OFFICE

Intentional Structures

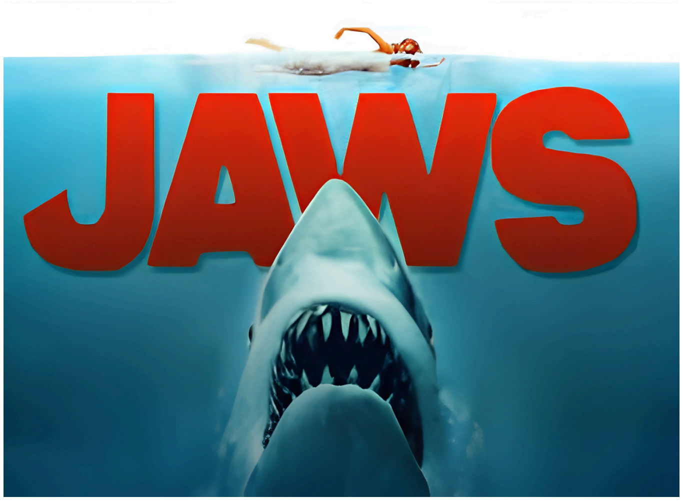
What a “Failed” Shark Can Teach Us About Control, Access, and Intentional Design

3Q26 Tax Letter

What *Jaws* Teaches About Intentional Wealth Design

In the summer of 1975, *Jaws* changed the way people looked at the ocean. It filled theaters, reshaped beach vacations, made an entire generation hesitate before swimming beyond the breakers, and helped create the modern summer blockbuster. Long before the audience saw the danger clearly, they felt it.

One of the film's defining features was not part of the original plan. The mechanical shark built for the movie did not work. It was unreliable in salt water, difficult to operate, and often unconvincing when shown too clearly. What should have been the centerpiece of the movie became one of its biggest production problems.



Poster for Jaws, 1975, Designed by Roger Kastel

Steven Spielberg adjusted. He showed less and used more: the water, the music, the reactions of the characters, the movement of a barrel across the surface, and the audience's own imagination. The shark became more powerful because it was not always visible. The film worked not because the audience had constant access to the monster, but because that access was controlled.

The planning lesson is intentionality. Effective design is not always about showing everything, using everything, or giving everyone access to everything. Sometimes design works because something is withheld, control is separated from visibility, and the most important asset remains present without becoming freely accessible.

The same principle applies when families move from owning and operating a business to managing the wealth created by that business. The transition may follow a recent sale, recapitalization, or liquidity event, or it may have occurred years earlier or in a prior generation. Either way, the operating business may no longer be the family's organizing system, but the complexity that once lived inside the business does not disappear. It moves onto the family balance sheet.

Intentional design matters because the structures used to hold, protect, manage, and transfer that wealth need the same discipline that once existed inside the operating company. Without that discipline, the family may have entities, trusts, accounts, and advisers, but no coherent operating system for the wealth that replaced or outgrew the business.

When the Business is No Longer the Operating System

A successful business gives an owner more than wealth. It provides the operating system through which major financial decisions are made. There is discipline, reporting, authority, cash flow, accountability, and rhythm. The owner may not call it governance, but the business has governance because people know who decides, who reports, who approves, who signs, and who is accountable when something goes wrong.

That structure is often taken for granted until the business is sold, recapitalized, partially monetized, or passed beyond the generation that built it. Before liquidity, the company may be complex, but the complexity has a home. At some point, the business balance sheet becomes a family balance sheet. Operating cash flow becomes investment liquidity. Business governance becomes family governance. Business risk becomes tax, estate, creditor, fiduciary, investment, and family risk.

The transition can be disorienting because the family may still have substantial wealth but no longer have the operating system that gave that wealth discipline and accountability. Trusts, LLCs, partnerships, charitable vehicles, insurance structures, estate planning documents, and investment accounts may sit across multiple advisers. Each structure may have had a reason when created. The better question is whether each structure still has a job in the family's current wealth architecture.

A sale, recapitalization, generational transition, or long-ago liquidity event does not eliminate complexity. It changes where that complexity lives. Intentional design begins by recognizing that change and asking whether the private wealth structure now provides the discipline the business once supplied.

Who Owns, Who Decides, Who Benefits

Intentional structuring starts with three questions: who owns, who decides, and who benefits. The questions sound simple, but they are where much of the real planning lives. A family may think of the wealth as "ours," but tax law, creditor law, trust agreements, operating agreements, and estate planning documents ask more precise questions.

Ownership determines who holds the asset for legal and tax purposes. It affects income tax reporting, estate tax exposure, basis, creditor risk, transferability, and the ability to sell, gift, borrow against, or restructure the asset. Ownership is often less obvious than the family assumes because legal title, tax ownership, beneficial enjoyment, and practical authority may not sit in the same place.

Decision-making authority determines who can act, including the power to sell, distribute, invest, borrow, amend, replace a fiduciary, make a tax election, or change the direction of an entity. Authority may sit with the owner, but often it sits with a trustee, manager, general partner, protector, adviser, committee, or board. Beneficial access then determines who can receive or use the wealth, when they can receive it, and under what standard.

Ownership, authority, and access need to be separated and understood. The owner may not be the decision-maker. The decision-maker may not be the beneficiary. The beneficiary may not have access. In sophisticated planning, those separations are often the point. When they are accidental, outdated, or poorly understood, the structure becomes fragile.

Tax Efficiency Requires Structural Clarity

Tax planning is often discussed as though it is separate from structure. It is not. The way assets are owned, directed, accessed, and transferred determines the tax consequences that follow.

That becomes especially important when business wealth becomes family wealth. Before a transaction, planning may focus on the operating company, the sale process, purchase price, rollover equity, state sourcing, charitable planning, or timing of gain recognition. Years later, the tax focus may change, but the structural questions remain. How are the proceeds held? How are they invested? Who controls them? Who receives income? Who bears tax? How will the wealth eventually be transferred?

A tax strategy that looks effective in isolation may fail if the ownership structure is wrong, decision-making provisions are inconsistent, the trust design is not respected, or the entity is not operated in a way that supports the intended result. A business owner may want to remove assets from the taxable estate while preserving some level of influence. That may be possible, but only if the structure distinguishes impermissible retained access from legally appropriate retained authority.

> **A good structure does not exist to impress anyone with complexity. It exists to do a job.**

Income tax and state tax planning present similar structural questions. The tax treatment of a trust, partnership, LLC, corporation, charitable vehicle, or family office entity may depend on classification, ownership, fiduciary design, income allocation, distribution policy, state residency, administration, and operating reality. Tax efficiency depends on whether the structure is clear, intentional, and respected.

The Control Problem

For many business owners, the hardest part of planning is not the tax law. It is recognizing that the same control that helped build the business may undermine the planning designed to protect and transfer the wealth created by that business.

Business owners are used to moving quickly, controlling outcomes, solving problems, and retaining authority to protect the enterprise. Those instincts are often essential inside the business. They become more complicated once business wealth has moved, or begun to move, into trusts, partnerships, holding companies, charitable vehicles, and investment entities.

Control can be direct or indirect. An owner may control an asset by holding it outright, managing the entity that owns it, controlling voting rights, retaining fiduciary powers, or exercising practical influence over the people making decisions. Some forms of control may be helpful or legally permissible. Others may undermine transfer tax planning, weaken asset protection, or create unwanted tax consequences.

The distinction can have enormous consequences. If too much direct access, enjoyment, or control is retained over transferred assets, the transfer may be challenged as incomplete or included in the taxable estate. At the same time, giving up direct access may strengthen the tax result, improve the asset protection profile, and create a clearer separation between the transferor and the transferred property.

Giving up direct access does not always mean giving up all influence. Some structures preserve appropriate control by separating voting and nonvoting interests, retaining authority over business decisions while transferring economic interests, or allocating fiduciary roles among trustees, advisers, protectors, managers, or committees. The point is not that all control is bad. The point is that control must be designed carefully, documented clearly, and understood in relation to the tax, legal, asset protection, and family objectives being pursued.

Command, Cash Flow, and Conflict

Command, cash flow, and conflict are familiar business concepts, and they also apply when the operating business is no longer the primary organizing system for family wealth. Instead of customers, lenders, payroll, operating margins, and management authority, the family may now deal with trust agreements, fiduciary powers, beneficiary rights, distribution policies, investment oversight, charitable commitments, and tax-driven entities.

Command asks who can act and how clearly that authority has been assigned. Cash flow asks whether the structure produces usable cash in the right place, at the right time, and for the right person. Conflict asks where friction may develop between generations, trustees and beneficiaries, voting and nonvoting owners, tax efficiency and liquidity, or continued influence and the legal requirements of a completed transfer.

These questions often determine whether tax planning works. A structure that ignores the difference between access and ownership may weaken estate tax planning. A structure that gives beneficiaries enforceable rights may reduce asset protection benefits. A structure that gives the wrong person authority may create state income tax exposure, fiduciary risk, or operational failure. A structure that restricts access too aggressively may create liquidity pressure that eventually undermines the plan.

A good structure does not eliminate every tradeoff. It makes the tradeoffs intentional and forces the family to decide where control, liquidity, tax efficiency, asset protection, and governance should yield to one another.

A Practical Framework For Intentional Design

Every existing trust, LLC, partnership, holding company, charitable vehicle, insurance structure, and management entity should begin with a practical review. Before asking whether the family needs something new, the first step is to understand what already exists, why it exists, and whether it still belongs in the structure.

Two starting questions are useful. Does the structure still do what the family needs it to do? Does it do anything the family does not want it to do? If the structure still serves a purpose, the review focuses on whether it can be improved, better coordinated, or administered more effectively. If it no longer serves a purpose, the issue becomes whether it can be modified, consolidated, unwound, or eliminated.

From there, the review should move from purpose to design. A family needs to see the structure clearly before it can decide whether the structure is working. That means understanding what each structure owns, who has decision-making authority, who benefits from it, how cash moves, and how it is taxed. Many families have organizational charts, but those charts often show ownership without explaining purpose.

The review should lead to a decision. Some structures should be left alone. Some should be updated or better coordinated with the family's tax, estate, investment, insurance, or governance planning. Others may need to be unwound carefully. The goal is not to force a particular outcome. The goal is to make an intentional decision about what should be maintained, improved, modified, or removed.

Conclusion

The lesson from *Jaws* is not that every failure becomes a success. The lesson is that intentional design can turn a limitation into a defining strength. Spielberg did not get the shark he expected, but he created a better movie by controlling what the audience could see, when they could see it, and how much access they were given.

Families face a similar design challenge when an operating business no longer serves as the central organizing system for family wealth. Whether that transition happened recently or a generation ago, the objective is the same: decide intentionally who should own, who should decide, and who should benefit.

The practical starting point is clear. Map the structure. Identify the purpose. Separate ownership, decision-making authority, and access. Test whether the structure supports the family's tax, asset protection, cash flow, and governance objectives. Then decide what should be maintained, improved, modified, or removed.

A good structure does not exist to impress anyone with complexity. It exists to do a job. The better question is not whether the family has enough structure. The better question is whether the structure it has is intentional, coordinated, and still worthy of the wealth it is meant to protect.

For more information visit us at:
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