

## **WATERSTREET ADDS LEE-CHIN, EXPERTS**

**Firm touts business model as “way of the future for ultra-high net-worth families in Canada”**

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By Clare O'Hara

One of the few Can-adian wealth-management firms that follow the “family office” business model is expanding its footprint. Burlington, Ont.-based WaterStreet Group Inc. is adding three industry experts, according to Tim Cestnick, the firm’s president and CEO.

One of those additions is Michael Lee-Chin — former CEO of AIC Ltd., executive chairman of **Portland Holdings Inc.** and lead portfolio manager of **Manulife Financial Corp.**’ s \$550-million AIC Advantage fund. He will be a special advisor to WaterStreet.

WaterStreet is also adding corporate finance specialist John Hamilton and lawyer Susan Van Der Hout.

The addition of Lee-Chin brings a wealth of experience in investment management and business management, as well as a broad network that includes some of the wealthiest families in the world.

“Michael is an extremely smart businessman and is very adept at understanding the wealth-management industry,” Cestnick says. “I think he realizes that the family-office business model, which we have, is the way of the future for ultra-high net-worth families in Canada.”

WaterStreet focuses on very affluent families — those with \$20 million-\$1 billion in net worth. Most of these families own businesses.

The firm manages the affairs of 30 Canadian families through what it calls a “joint family planning platform.” By integrating many of the financial needs of these clients and bringing multiple services under one roof, WaterStreet is able to eliminate

certain problems that ultra-high net-worth families experience, according to Cestnick, when dealing with financial services professionals.

When Cestnick started Water-Street in 2005, his goal was to ensure transparency of fees, eliminate conflicts of interest and integrate financial services such as tax and estate planning.

“The problem I discovered is that people are still getting their advice in separate silos, and I know it is not the best way to get advice,” Cestnick says. “One of the main reasons I started this firm was so that people could get financial advice in an integrated manner.”

Before starting WaterStreet, Cestnick worked as an accountant with Deloitte & Touche LLP in Toronto, during which time he found that many of his clients did not know how much they were paying in fees for wealth management. When Cestnick consulted a client’s investment firm to clarify the fee, he found it would take weeks of going back and forth before he got an answer.

“Trying to figure out what clients actually paid for their wealth management was next to impossible because the fees weren’t transparent,” Cestnick says. “I always thought transparency has been a problem in the industry, and I wanted to change that.”

WaterStreet has combined the traditional silos of accounting, investment counselling and legal services. The firm provides each client with access to an in-house chartered accountant, a lawyer and a chartered financial analyst, all of whom work within their respective specialties for all of the firm’s client families.

“Our firm is all about transparency,” says Cestnick. “Clients know how much it is costing them to have their money managed from year to year. They know what fees we are charging them, and we share with them the fees that are being charged by money managers and custodians on top of that.”

The firm houses 11 advisors, all of whom Cestnick knew previously through his past employment, including his close relationship with Lee-Chin.

Says Lee-Chin: “I decided to get involved because I believe that Tim’s reputation and expertise are stellar, and that there is a need for these services in Canada.”

Cestnick met Lee-Chin when Cestnick sold his tax education and consulting firm (also called WaterStreet) to AIC in 2000. Cestnick and his six-person WaterStreet team of six became the internal tax group at AIC. After five years under the AIC

banner, Cestnick — along with a business partner — bought WaterStreet back from Lee-Chin.

“I really started to miss working with families directly,” Cestnick says, “and knew that I needed to get back into working with them. So, I took the WaterStreet company and reinvented it into the family office it is today.”

Cestnick bought out his business partner in late 2009 and began restructuring WaterStreet to make it represent his original plan — a family office rather than a group of tax specialists.

“My partner and I had very different ways of managing people and projects,” Cestnick says. “So, I decided that in order to execute the vision that I had always had, I needed to be the CEO — not the co-CEO.”

Part of that restructuring meant increasing the services available to his clients. That is where Hamilton, WaterStreet’s new executive vice president, and Van Der Hout, its director of family engagement, come in.

Hamilton brings 20 years of experience in business leadership, corporate development and corporate finance to WaterStreet. Formerly vice president of finance at Toronto-based Canadian Imperial Bank of Commerce, Hamilton will provide WaterStreet’s clients with expertise in the private-equity area — an area of expertise in which WaterStreet had been lacking.

“We didn’t have the capability to do the kind of things that I wanted to do in that area for our clients, so John definitely brings that to the table,” Cestnick says. “Clients who have their own private businesses and might want to sell, raise money to expand or buy another business are all going to benefit from John’s experience.”

Van Der Hout has more than 25 years of experience in helping families and businesses resolve disputes. She is founding president of the Ontario chapter of the Family Firm Institute and has practiced tax law for more than 20 years.

“Susan has spent a lot of time over the past few years working with families on a lot of the family-dynamic issues that can arise in both wealthy families and family businesses,” Cestnick says. “She has the capability to sit down with families and speak to them openly, because money does come with issues that can be very difficult for families to deal with.”

Family counselling is only one of the many additional services WaterStreet offers. It also provides bookkeeping for holding companies, advice on portfolio architecture

and the planning of wealth continuity — something that differentiates the firm from its competitors, according to Cestnick: “Putting in place family-governance models is key for our clients. Families that have a lot of wealth can often make that wealth last three or four generations, but [that] doesn’t happen automatically.”

WaterStreet’s advisors help clients develop a plan for the decisions that will be made concerning the family’s wealth after the matriarch and patriarch have passed away. Offering that kind of advice requires a thorough knowledge of a client-family’s affairs. Advisors spend approximately 70 hours getting to know a client prior to any planning. As well, client contact is much more frequent than at traditional financial planning practices.

Cestnick declines to discuss the firm’s compensation structure, but does reveal that WaterStreet’s advisors are not paid on a payout basis. Nor do advisors at WaterStreet have separate books of business; all contribute equally to serving each client.

“We act as a single point of contact for our clients. So, no matter what the issue, we can help them with it,” Cestnick says. “It is really a team effort.”

Although the multi-family office business model is not well known in Canada, it is gaining popularity in both Europe and the U.S.

“The multi-family office model has proven to serve the needs of wealthy families very well in other parts of the world,” says Lee-Chin, who has already advised a WaterStreet client who sold her business to a company that has hired her to run the operation during a transition period.

“I am excited to be involved in this advisory role,” Lee-Chin continues, “because although I will not be sitting down with clients every day, periodically I will be able to share first-hand my experiences in owning businesses internationally, running a private-equity fund and selling part of my business.”

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