A guide to estate planning

Estate planning is about more than just preparing a valid Will. It's about making sure your family is provided for and that your assets go where you want them to after you die.

A good estate plan will:

- ensure that the ownership and control of your assets passes to your intended beneficiaries in the correct proportions;
- minimise tax being imposed on the income and capital gains earned on those assets; and
- protect those assets should a beneficiary be involved in any legal difficulties, for example, bankruptcy or divorce.

Essentially, a good estate plan can provide you with peace of mind and minimise potential complications for your beneficiaries.

Working out what you need

Firstly, have you considered whether you have sufficient assets accumulated to provide for your family and pay off any debts in the event of your death? If you determine there is a shortfall, your financial adviser will be able to suggest some ways for you to make up the shortfall.

Then, when you consider your estate planning needs, have you thought about who will inherit your assets, which assets they'll inherit and in what proportions? If you are injured and unable to control your investments, have you chosen someone to manage your affairs for you whilst you are recuperating?

You should review your estate planning needs on a regular basis, and particularly when an important event occurs, such as:

- Marriage
- Divorce
- The birth of a child
- The death of a relative that you have provided for
- Commencement of employment
- Change of employment
- Retirement

Each of these events can be a life-changing experience for you and your family and should trigger a consideration of your estate planning needs and objectives. At any stage of your life, estate planning is important and it should be considered and reviewed regularly. Estate planning is an important part of your overall financial plan and it shouldn't be left until it is too late.

Case study 1

Estate planning is about ensuring those you love are taken care of

Rosemary was a successful dentist. She and her husband, Tom, had three young children. Tom, a freelance journalist, worked part-time, spending most of his time with the kids and keeping the house going. This arrangement worked well.

When Rosemary died suddenly, the family lifestyle collapsed. Tom could not find full-time work for 14 months. He could no longer afford the private school fees for the children, or the hefty mortgage payments. He had to sell their home, move the family into a rented house in another suburb which meant the children had to change schools.

The trauma, especially for the children, was significant. They lost their mother, their friends and the comfort of their familiar bedrooms and home – all within one year.

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An estate planning checklist

Take a moment to consider the following questions:

- Do you have a valid Will?
- Has it been reviewed/updated since the last significant event in your life?
- Does your Will provide adequate protection to ensure your assets are not inappropriately diminished?
- Do you know how much money your family would need if you were to die today?
- Do you have a funding strategy in place?
- Are you and your family financiially protected if you were to suffer a serious illness/injury?
- Are you and your family financially protected if you were to become totally and permanently disabled?
- Do you know how much money you and your family would need if you were unable to work, or you suffered a serious illness/injury?
- Is your income protected?
- Are the protection measures you have in place sufficient for your family's needs?
- Have you appointed someone to look after your affairs if you die or become incapacitated?
- If you are a business owner, have you considered exit strategies from your business?
- If you are a business owner, have you planned for the future of your business after you pass away?

If the answer to any of the above questions is 'No', then it's possible that you have a gap in your true estate planning needs.

Case study 2

Estate planning is about protecting the assets of your beneficiaries

Rowan was a chartered accountant in a partnership that audited a particular large trading company. The audit area failed to detect some significant fraud committed by the company principals. When the company went into liquidation, an action was commenced against Rowan's partnership for damages.

Fortunately, Rowan owned very little in his name, preferring to keep assets well out of his (and his creditor's) legal reach. However, when his wife and father both died in the space of one year, Rowan's strategy fell apart. Both his wife and father left assets to him personally in their Wills. Those assets were left totally exposed.

Ask SECURITOR

At SECURITOR, we can assist you in identifying gaps in your insurance and estate planning needs and can recommend solutions to address them. If you need specialist advice, we can refer you to the appropriate professionals. Please contact your SECURITOR financial adviser if you have any questions in relation to your estate planning needs.

About SECURITOR

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Case study 3

Estate planning is about ensuring you are taken care of in the case of incapacity

Andrew, a widower, has two children, Sally and Darryl. He was on excellent terms with his daughter, but unfortunately, in later years, his relationship with his son had begun to deteriorate.

When Andrew suffered his first stroke, he lost the ability to take care of his own finances. He had not appointed anybody as his attorney to take over on his behalf. Darryl sought and was granted the position of attorney by the Courts. Where Sally would probably have taken a more compassionate approach to the use of Andrew's funds, Darryl turned out to be quite brutal.

Over the years, there were instances where expenditure that might have led to an improvement in Andrew's quality of life, was refused. Unfortunately, these instances were somewhat subjective, and on the surface, Darryl's custodianship could not be flawed. He diligently managed his father's affairs in a way that would both retain their value and to an outsider, appear as though they were completely in Andrew's interest.

Had Sally been involved, it is likely that more money would have been spent on Andrew and his care, than turned out to be the case. She would almost certainly have moved him from the nursing home where he was staying. She felt it was substandard and a cause of considerable stress to her father.

This situation could easily have been avoided had Andrew appointed Sally as his attorney in the first instance.

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