

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 can:

- ensure the ownership and control of your assets passes to your intended beneficiaries in the right proportions
- minimise the tax impact on your estate and beneficiaries
- ensure your estate is administered in a cost efficient and timely manner
- protect assets if a beneficiary is involved in any legal difficulties (for example, bankruptcy or divorce) or under a legal disability.

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

Working out what you need

Firstly, have you considered whether you've accumulated enough assets to provide for your family and pay off debts if you die? If you think there's a shortfall, your financial adviser will be able to suggest some ways for you to make up the shortfall.

Have you also thought about who will inherit which assets and in what proportions?

If you're sick or injured and unable to control your investments, have you chosen someone to manage your affairs for you?

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

- enter a care facility
- getting married
- getting divorced
- the birth of a child
- the death of a relative you have provided for
- starting work
- changing jobs
- retiring.

An estate planning checklist	Yes	No
Do you have a valid Will?		
Have you reviewed/updated it since the last significant event in your life?		
Have you disposed of or purchased a major asset?		
Does your Will protect your assets to ensure they are not inappropriately diminished?		
Do you know how much money your family would need if you died today?		
Do you have a funding strategy in place?		
Are you and your family financially 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're a business owner, have you considered exit strategies from your business?		
If you're a business owner, have you planned for the future of your business after you die?		

If you answer 'No' to any of these questions, it's possible you have a gap in your estate planning needs.

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 couldn't 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 and 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 home – all within one year.

Case study 2

Estate planning is about protecting the assets of your beneficiaries

Rowan was a chartered accountant in a partnership that audited a 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.

Rowan owned very few assets in his name. However, when his wife and father both died in the space of one year, Rowan's strategy fell apart because assets they both left to him personally in their Wills were left exposed to the court action against his partnership.

Things you should consider

This publication provides an overview or summary only and it shouldn't be considered a comprehensive statement on any matter or relied upon as such. This publication doesn't take into account your personal objectives, financial situation or needs. It's important for you to consider these matters before making any financial decision and we recommend you seek help from a financial adviser. You should seek advice from a qualified taxation adviser when making any decisions about taxation matters.

Case study 3

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

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

When Andrew suffered a stroke he was unable to take care of his own finances. He hadn't 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 Darryl refused expenditure that might have led to an improvement in Andrew's quality of life. These instances were somewhat subjective and on the surface Darryl's custodianship couldn't be faulted. 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.

It's likely Sally would have spent more money on Andrew and his care. She would almost certainly have moved him from the nursing home where he was staying as she felt it was substandard and a cause of considerable stress to her father.

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

For more information, please contact your financial adviser.

Contact Luka Financial Pty Ltd for further information on 02 6883 2200 or visit www.lukagroup.com.au

