

## Estate planning

1 January 2017

In its most simple form, estate planning is all about peace of mind. It's about making sure that your assets are distributed to your beneficiaries according to your wishes.

### Why think about estate planning?

With family structures becoming more fluid, planning your estate has become more important in recent times – and often involves much more than just a simple Will.

Family trusts, payouts of superannuation balances and the tax implications for beneficiaries can all be managed with a careful estate plan. Seeking advice from your financial adviser is a crucial step in developing a proper estate plan.

Developing a proper estate plan will ensure that:

- the tax payable is minimised on the income and capital gains earned on assets
- the right ownership and control of your assets passes to your intended beneficiaries, and
- your assets maybe protected if the beneficiary is involved in any legal difficulties (for example, divorce or bankruptcy).

A sound estate plan can assist in avoiding possible difficulties and disagreements for your beneficiaries.

### Things to consider

#### Who gets what?

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

#### Paying off debt

Have you considered whether you have accumulated sufficient assets to provide for your family and pay off debts if you die? If you think there is not an adequate amount, your financial adviser will be able to recommend several ways to make up the shortfall.

#### Who's in charge?

Is there someone who has been chosen to manage your affairs for you if you're injured or sick and unable to control your investments?

## Keep it current

Your estate planning needs should be reviewed on a regular basis, and particularly when a significant event occurs such as:

- commencing work
- changing employment
- getting married
- getting divorced
- the birth of children
- starting your retirement, and
- the death of a relative you have included in your estate plan.

Estate planning is a vital part of your overall financial plan and it should not be left until it's too late. The events (listed above) can be life altering for you and your loved ones and should prompt you to think about your estate planning needs and objectives.

A checklist has been provided below to assist you with your estate planning objectives/requirements.

### Case study

Bob has \$600,000 in his super fund and the entire amount is a taxable component. He has been advised it is not an estate asset so it is not specifically included in his Will.

Bob dies and:

- he does not have a binding nomination in place and has not nominated a reversionary beneficiary
- the trust deed sets default payments as payment to estate, and
- the Will splits all benefits 50 per cent to his wife (tax-free) and 50 per cent to his 40 year old daughter (which is subject to 17 per cent tax).

Therefore, 50 per cent of his super is paid to his daughter and taxed at 17 per cent\* (\$51,000) instead of the entire amount being paid to his wife tax-free.

**Potential solution:** Bob could have specified in his Will a contingency for super. For example, all super to be paid to his spouse and include an offsetting amount to his daughter from other assets – this would have been much more tax efficient.

\* Including Medicare levy

An estate planning checklist	Yes	No
Do you have a valid Will?	[ ]	[ ]
Have you reviewed/updated your Will since the last significant event in your life?	[ ]	[ ]
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?	[ ]	[ ]
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?	[ ]	[ ]
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 die?	[ ]	[ ]

If you answered 'no' to any of these questions, it is possible you have a gap in your estate planning needs.

Call us on 0398240001 for more information.

**Email:** [admin@pmdadvice.com.au](mailto:admin@pmdadvice.com.au)

**Tel:** 0398240001

**Fax number:** 03 9824 1110

**Address:** Level 6 136 Exhibition St Melbourne Vic 3000

**Website:** [www.pmdadvice.com.au](http://www.pmdadvice.com.au)



WP Exhibition St Pty Ltd t/as PMD Financial Advisers is an Authorised Representative of Consultum Financial Advisers Pty Ltd. ABN 65 006 373 995 AFSL 230323.

This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from a financial planner and seek tax advice from a registered tax agent. Please obtain and consider the PDS before making any decision about whether to acquire a financial product. Information is current at the date of issue and may change.