

# INFORMING GENERATIONS

## ESTATE PLANNING: HOW TO GET IT RIGHT

**You've worked hard to build your wealth over the years. Now you can have peace of mind by ensuring your loved ones are taken care of. Here's how.**

We all want to make sure our hard-earned wealth will be distributed according to our wishes after we pass away. That's why careful estate planning is so important.

With a comprehensive and up-to-date estate plan, you can have peace of mind in knowing your loved ones will be looked after financially even if you're no longer around. And remember, estate planning isn't just for the elderly. The reality is that we never know what's around the corner, so it's worth being prepared – just in case.

Here are three steps to keep in mind when you're building your estate plan.

### 1 Start with a Will

Drawing up a Will is the safest way of ensuring your estate assets will go to the right people after you pass away.

Unfortunately, nearly 45% of Australians don't have a Will.<sup>1</sup> If you die without one, your loved ones won't have control over where your money and assets end up – in this situation. This is because assets that would have formed part of your estate are distributed according to the laws of intestacy, and the results may be very different to what you'd have preferred.

For your Will to be valid, it needs to be a written document signed by you and two witnesses. You should always get a solicitor's help to write or update your Will, and you should also seek advice from your accountant and financial adviser to make sure that your plans are structured effectively for the benefit of your loved ones.

In your Will, you'll need to nominate an executor who'll be in charge of carrying out your wishes after you pass away. Think carefully about who you want this person to be, and make sure they agree and understand their responsibilities.

Keep your Will in a safe place, and be sure someone else knows where to find it when the time comes. You should also revisit your Will regularly and update it whenever your life circumstances change – for example, if you get married or divorced, or if you have children or grandchildren. Keep in mind that some of your assets may not be legally considered to form part of your estate and therefore aren't distributed through your Will. Examples include assets that you jointly own through



a joint tenants' arrangement, superannuation (except under certain conditions) and life insurance where a beneficiary has been nominated.

You should also consider setting up an enduring power of attorney and enduring guardian to help take care of things if you suffer an illness or injury that leaves you incapacitated. This means appointing someone you trust to make financial and personal decisions for you in case you can no longer do so yourself.

### 2 Don't forget your super

You may not realise this, but your super isn't automatically included among your other assets in your estate. Instead, your super fund may give you the option to nominate one or more beneficiaries who'll receive your super after you die. You can nominate your spouse, your children, anyone who is financially dependent on you, or anyone with whom you're in an 'interdependent relationship'. You can also choose to nominate your estate.

Some nominations will be binding on your super fund trustee when valid. For some of these you'll need to review your nomination every three years, while others are non-lapsing. You can also change or cancel a nomination at any time.

If you don't make a nomination that's binding on your super fund trustee, it will ultimately be up to your fund's trustee or the fund's default rules to decide which of your eligible beneficiaries or your estate receives your super – and it might not go to who you want it to.

Depending on which beneficiaries will receive your super, they may be able to receive your super death benefit as an income stream, a lump sum or a combination of both. Each has different tax implications and the rules around them can be complex. Your financial adviser or accountant can help clarify the rules concerning the distribution of super death benefits.

<sup>1</sup> NSW Trustee & Guardian, Wills, 2016.

### 3 Plan your funeral

Funerals don't come cheap – in fact, they can cost upwards of \$4,000 once you take into account things like the casket, cemetery plot, burial fee and funeral home expenses.<sup>2</sup> That's a financial burden your family will be straddled with when you pass away, unless you plan ahead.

There are different ways you can organise your funeral in advance. One is to buy a prepaid funeral plan, which gives you total control over all the details of your final farewell. Or you can invest in a funeral bond, where the capital and earnings can be used after you die to cover your funeral costs.

A more cost-effective option might be to take out funeral insurance. With a funeral insurance policy, you select a fixed amount of cover that your beneficiaries will receive as a lump sum payout after your death – generally tax free.

You can usually choose to pay your premiums fortnightly, monthly or annually, and some insurers may offer a discount on joint policies.

As with any aspect of estate planning, it's a good idea to consult your financial adviser regarding the facts before making a decision. We recommend you also speak with a solicitor to work out what is right for you and your loved ones.

<sup>2</sup> ASIC, Paying for your funeral, 2016.

## SPEAK TO US FOR MORE INFORMATION

Speak to us if you would like to understand more about how this information might impact your financial situation.

### IMPORTANT INFORMATION

This document contains general advice. It does not take account of your objectives, financial situation or needs. You should consider talking to a Financial Adviser before making a financial decision. This document has been prepared by Financial Wisdom Limited ABN 70 006 646 108, AFSL 231138, (Financial Wisdom) a wholly-owned, non-guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124. Financial Wisdom Advisers are authorised representatives of Financial Wisdom. Information in this document is based on current regulatory requirements and laws, as at 14 October 2016, which may be subject to change. While care has been taken in the preparation of this document, no liability is accepted by Financial Wisdom, its related entities, agents and employees for any loss arising from reliance on this document.

22956/1116