

Estate Planning

Who will look after your family when you have gone? You have worked hard all your life, so don't let it all be for nothing.

Equally important as creating wealth is planning for the distribution of it to your loved ones after you have gone. First and foremost, this means having a current and valid Will in place.

Did you know that dying 'intestate' (without a Will) means that your assets (known as your 'estate') will be distributed according to a statutory formula which, perhaps, may not be in line with your wishes?



The importance of a valid Will

A valid Will is fundamental, but there is so much more to consider to ensure that your intentions are fully carried out after you've gone. Many life events such as marriage, divorce, the birth of children and the buying or selling of assets will impact your Will. To account for such circumstances, it is important to ensure that you not only review your Will regularly, but your estate plan as well, to ensure that they both remain appropriate.

Have you considered who would manage your affairs if you were to become incapacitated?

A Power of Attorney is a legal document that allows you to appoint a person you trust to make financial decisions on your behalf. A Power of Attorney however, ceases to have effect if you lose mental capacity. An Enduring Power of Attorney on the other hand, will continue to have effect, whatever your mental capacity.

Whilst a person appointed under an Enduring Power of Attorney can make financial decisions on your behalf, an Enduring Guardian can be appointed to make personal or lifestyle decisions for you, such as where you should live, what doctor you should use and the medical treatment you should receive, particularly if you do not want your life artificially prolonged.

Estate planning not only ensures your wealth is managed and transferred according to your wishes, but also in the most financially tax efficient way.

When it comes to distributing your assets, it's hard to please everyone, particularly family members. However, the right planning can minimise the likelihood of claims being made against your estate.

A trust created within your Will can provide significant flexibility, together with tax minimisation and asset protection, for those who will benefit from your estate.

You have paid tax throughout your life but you don't want your family to pay unnecessary tax once you have gone. It is important to make sure your estate is structured appropriately to avoid paying unnecessary tax.

A testamentary discretionary trust, for example, is established within your Will as a structure that can hold your assets for your beneficiaries. As it does not take effect until after your death and is managed by a trustee, the distribution of capital and income can be made at any time and in any proportion, thereby providing flexibility for your beneficiaries. A testamentary discretionary trust

could also provide some protection for your assets. As none of the assets are legally owned by the beneficiaries, to a certain degree, they are protected in the event of legal proceedings, such as marital breakdown or bankruptcy for example.

A testamentary discretionary trust structure can also provide other advantages for your beneficiaries such as tax-effective distribution of the income generated. Beneficiaries will pay income tax on their allocated share of income according to their marginal tax rates. Unlike other trust structures, beneficiaries under the age of 18 are taxed at adult rates rather than penalty rates, thereby allowing you to take advantage of a substantial tax-free threshold.

As legislation varies from state to state, a Bridges financial planner can help you determine which documents are appropriate for your needs.

With an effective estate plan in place you can reduce your family's tax liability and maximise their benefits.

Centrelink

There are ways to reduce the impact of an inheritance on a beneficiary's Centrelink benefits.

A Bridges financial planner can show you how to preserve and manage your assets with an effective estate plan. For more information, contact us to arrange an appointment.