

A Guide to Estate Planning

Planning for the future is important for whatever life stage you are at. Estate planning is a major part of your overall financial plan and is so much more than just writing up a will.

What is Estate Planning?

Estate planning is the process of setting up your estate so your assets (such as property, shares and insurances) pass onto your beneficiaries in the most efficient and effective way. This may involve a variety of estate planning strategies, such as establishing trusts, restructuring your investments, setting up superannuation beneficiaries and reviewing your life insurance policies.

Why is estate planning important?

Estate planning is a way to ensure that if you were to pass away, your family assets are distributed to your nominated beneficiaries according to your wishes. By setting out exactly how you want your estate to be structured and distributed, you can bring peace, security and clarity. Plus, any likelihood of disputes between beneficiaries will be minimised.

What is the difference between estate planning and a will?

Both estate planning and a will give instructions on how you want your assets to be distributed, but a will is only one part of the puzzle in estate planning. Essentially, a will sets out what you want to leave to whom as well as guardianship details, such as who would look after any underage children or financial dependants. It primarily covers assets you own in your personal name and any dependants.

Estate planning, on the other hand, covers a broader scope and goes into more detail. It deals with family assets that may be held in a company or trust and how they will be structured, distributed, or managed upon your death. An estate plan seeks to ensure the continuity of control over assets and businesses that may not be in your personal name, but that you control, so they can continue on after your death. An estate plan could also include identifying who will have authority to manage your finances and businesses if you are no longer able to control them due to mental incapacity or death.

It can also set out how family assets will be managed if your children are too young to inherit them upon your death.

What does estate planning cover?

Estate planning generally covers the structure, distribution and transfer of all family assets, which may include your investments, superannuation and life insurance. It would appoint the people who will look after your estate - the executor of your will - who will ensure that the instructions are followed, including dealing with the control of any trusts.

Most estate plans also include other matters relevant to the end of life, such as powers of enduring attorney, powers of enduring guardianship and advanced health directives. This ensures that, if you are unable to make decisions for yourself, someone can make them for you, according to your wishes.

Who would benefit from estate planning?

There is a common misconception that estate planning is for the wealthy, however anyone who controls assets such as shares, property, jewellery, has a superannuation fund or a life insurance policy would benefit from having a plan in place that deals with how these should be distributed and who they should go to.

Likewise, anyone who has financial dependants such as children, parents, a spouse or other family members, would also benefit from estate planning to ensure those who depend on them continue to get adequate care into the future. Also, anyone who has a direct or indirect share in a business should have an estate plan that outlines what should happen to the control and management of that business.

Family estate planning strategies for blended families

Blended families are becoming the norm in Australia. But, unfortunately, family estate planning for blended families can be complicated. Usually, there are children, spouses, properties and assets from at least two marriages to consider.

Only assets under a particular person's estate will be dealt with under their will. Any assets outside of a person's estate cannot be distributed between various children or different partners. That is why it is so important to leave clear, unambiguous plans. To prevent future challenges and disputes, family estate planning takes into consideration how assets in blended families can be distributed to ensure legal and financial obligations are met.

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