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ESTATE PLANNING

APPLY KNOWLEDGE OF ESTATE PLANNING TO PROPOSE A
FINANCIAL SOLUTION FOR A SPECIFIC CLIENT



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SPECIFIC OUTCOMES

1

Interpreting the provisions of a will.

2

Applying knowledge of legislation to calculate Estate Duty.

3

Analyzing the liquidity of an estate.

4

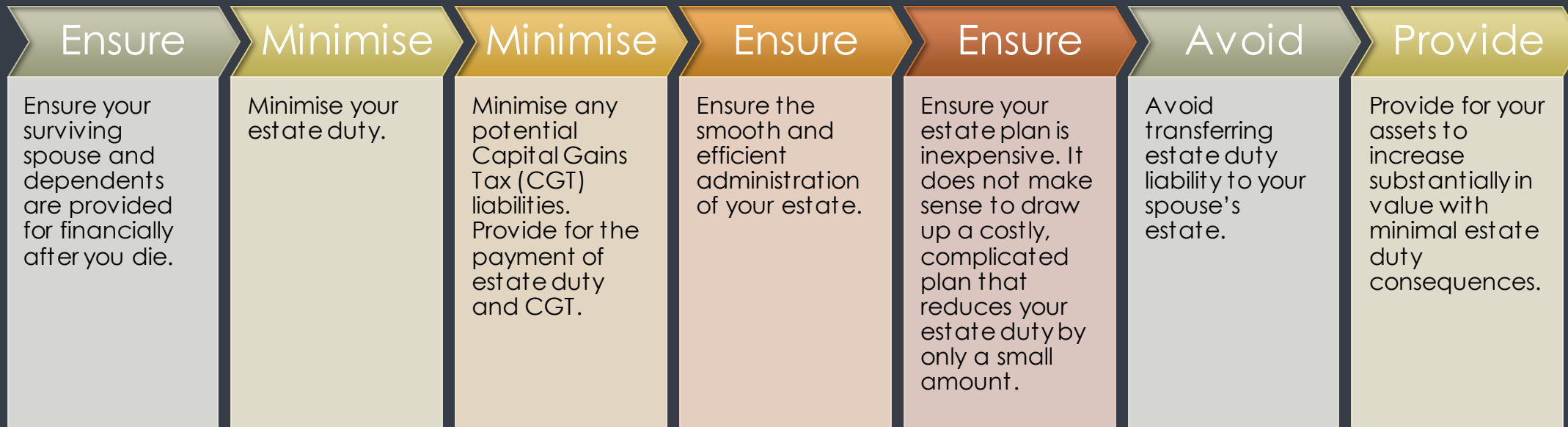
Proposing a financial solution to ensure orderly and cost effective winding up of an estate.



INTERPRETING THE PROVISIONS OF A WILL



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OBJECTIVE OF ESTATE PLANNING



INTESTATE SUCCESSION

- IF THE TESTATOR IS SURVIVED ONLY BY A SPOUSE, THE SPOUSE INHERITS THE INTESTATE ESTATE.
- IF THE TESTATOR IS SURVIVED ONLY BY DESCENDANTS, THEY INHERIT THE INTESTATE ESTATE.
- IF THERE IS A COMBINATION OF A SPOUSE AND DESCENDANTS (CHILDREN AND GRANDCHILDREN), THEY INHERIT THE ESTATE JOINTLY IN SPECIFIC SHARES.
- IF THERE IS NO SPOUSE OR DESCENDANTS, THE TESTATOR'S PARENTS AND/OR THEIR DESCENDANTS (COLLATERAL RELATIVES OF THE TESTATOR) INHERIT THE ESTATE.
- IF THERE ARE NO PARENTS OR DESCENDANTS OF PARENTS, GRANDPARENTS AND OTHER COLLATERAL RELATIVES, THE STATE INHERITS THE ESTATE.



TERMS

- ADIATION (ACCEPTING BENEFIT)
- BENEFICIARIES
- CODICIL (ALTERATION)
- COMPETENT WITNESS
- ESTATE
- EXECUTOR (ADMINISTRATOR)
- HEIR (INTESTATE)
- LEGATEE (BENEFACTOR)
- MASTER (OF HIGH COURT)
- REPUDIATION (REJECT WILL)
- RESIDUE (REMAINDER)
- SIGN'S
- TESTATOR (OWNER)
- TESTATRIX



WILL FORMALITIES

Must be signed by testator

Legal capacity

Witnessed

Commissioner of Oaths

Court can declare a defective will valid

Copies of Will

Revocation



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APPLYING
KNOWLEDGE OF
LEGISLATION TO
CALCULATE ESTATE
DUTY



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LEGISLATION

- WILLS ACT
- TRUST PROPERTY CONTROL ACT (ACCOUNTABILITY BY TRUSTEES)
- INTESTATE SUCCESSION ACT
- MATRIMONIAL PROPERTIES ACT
- ADMINISTRATION OF ESTATES ACT
- MAINTENANCE OF SURVIVING SPOUSES ACT
- ESTATE DUTY ACT



DISTRIBUTION OF ASSETS



SPECIFIC BEQUESTS



RESIDUE OF THE ESTATE



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MARITAL REGIMES

- IN COMMUNITY OF PROPERTY OR COP
- OUT OF COMMUNITY OF PROPERTY BY ANC
 - WITH ACCRUAL
 - WITHOUT ACCRUAL
- INFORMAL – LIVING TOGETHER
- CUSTOMARY



ESTATE DUTY CALCULATION

PROPERTY

DEEMED PROPERTY

DEDUCTIONS

ALL ESTATE COSTS INCLUDING EXECUTORS FEES

ALL DEBT – INCLUDING TAX, CGT

SECTION 4Q – ASSETS LEFT TO SPOUSE

- ACCRUAL OR SPOUSES PORTION OF THE ESTATE

- PBO

ABATEMENT (FIRST 3.5 MILLION EXEMPT)

DUTIABLE ESTATE

ESTATE DUTY CALCULATED AT 20%



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ESTATE DUTY COSTS

- TAX (20% ESTATE DUTY)
- CGT (25%)
- ACCRUAL (REMAINING SPOUSE)
- EXECUTORS FEES (3.5%)



EXAMPLE

Mr X dies with the following assets which are subject to CGT. His marginal income tax rate in the year of death is 42%

Shares

Market Value:		R650,000	
Base Cost:	-	R100,000	
Capital Gain:			<u>R550,000</u>

Unit Trusts

Market Value:		R250,000	
Base Cost:	-	R150,000	
Capital Gain:			<u>R100,000</u>

Total Capital Gains R650,000

Less Capital losses

Industrial Property

Base Cost:		R1,100,000	
Market Value:	-	R900,000	
Capital Loss:			<u>R200,000</u>

Less Total Capital Losses of R200,000 R450,000

Less exemption: - R300,000

Net Capital Gain: **R150,000**

EXAMPLE - Continuing from above:

Net Capital Gain:	R150,000
20% of Gain	R30,000
Marginal Rate:	42 Percent
CGT Payable	R12,600

ANALYZING THE LIQUIDITY OF AN ESTATE

Beneficiary
Nominations

Implications

Solutions



PROPOSING A
FINANCIAL SOLUTION
TO ENSURE ORDERLY
AND COST EFFECTIVE
WINDING UP OF AN
ESTATE.



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1

Change will

- Usufructs and other methods of bequest
- Beneficiary nominations and bequests

2

Trusts

- Will trust
- Intervivos trust

3

Insurance

SOLUTIONS

