inseta

INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

LEARNER GUIDE

Unit Standard Title:	**Apply knowledge of estate planning to propose a financial solution for a specific client**
Unit Standard No:	**242603**
Unit Standard Credits:	**8**
NQF Level:	**5**

This outcomes-based learning material was developed by Masifunde Training Centre with funding from INSETA in July 2014. The material is generic in nature and is intended to serve as a minimum standard for the industry.

This material may be used and copied for your own personal use. This material may not be republished, nor may it be reverse engineered, translated, modified or used to make derivative information of materials without the express written permission of INSETA which can be obtained by contacting insetacallcentre@inseta.org.za. Short excerpts from the material may be reproduced without authorisation on condition that the source is indicated.

Disclaimer

Whilst every effort has been made to ensure that the learning material is accurate, INSETA and Masifunde Training Centre (Pty) Ltd take no responsibility for any loss or damage suffered by any person as a result of the reliance upon the information contained herein.

Apply knowledge of estate planning to propose a financial solution for a specific client

Introduction

Estate planning is the process of anticipating and arranging for the disposal of an estate. Estate planning typically attempts to eliminate uncertainties over the administration of a probate and maximise the value of the estate by reducing taxes and other expenses. Guardians are often designated for minor children and beneficiaries in incapacity.

The administration of a probate refers to the process of locating and determining the value of the assets owned in the individual name of a deceased person, referred to as a "decedent," paying the decedent's final bills and estate taxes and/or inheritance taxes (if any), and then distributing what's left of the decedent's assets to his or her heirs.

The aims of estate planning

- Ensure your surviving spouse and dependants are provided for financially after you die.
- Minimise your estate duty.
- Minimise any potential Capital Gains Tax (CGT) liabilities.
- Provide for the payment of estate duty and CGT.
- Ensure the smooth and efficient administration of your estate.
- Ensure your estate plan is inexpensive. It does not make sense to draw up a costly, complicated plan that reduces your estate duty by only a small amount.
- Avoid transferring estate duty liability to your spouse’s estate.
- Provide for your assets to increase substantially in value with minimal estate duty consequences.

This module will focus on estate planning in order to propose a financial solution for a client.

INSETA copyright 2014

Module 1

The provisions of a will

This Module deals with:

- A standard will interpreted to determine the distribution of assets at death
- The implications of the client's marital regime with reference to the distribution of assets
- The standard clauses with reference to the implications for the client's beneficiaries

1.1 A standard will interpreted to determine the distribution of assets at death

A will or testament is a legal declaration by which a person, the testator, names one or more persons to manage his estate and provides for the transfer of his property at death.

In the strictest sense, a "will" has historically been limited to real property while "testament" applies only to dispositions of personal property (thus giving rise to the popular title of the document as "Last Will and Testament"), though this distinction is seldom observed today. A will may also create a testamentary trust that is effective only after the death of the testator.

By making and leaving a Last Will and Testament you are in a position to decide and instruct how your assets are to be distributed and dealt with after your death. Thereby you can ensure that only the people you choose will benefit from your estate and you can accordingly exclude people that you would not want to benefit. By making a will, you thereby ensure that the distribution of your estate would be in accordance with your wishes.

Should you, however, die without leaving a valid will, your assets will be divided and distributed according to the Law of Intestate Succession, and will be subjected to the general rules which apply across the board to everyone.

INSETA copyright 2014

Briefly the Law of Intestate Succession makes provision for customary law and improving the rights of women in this discriminatory field of African customary law.

- 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.

A well planned and constructed will will also ensure that the finalisation of your estate will result in the least possible financial disruption of the lives of your loved ones.

Example: Sample Standard will with annotations

I, Wandi Gumede, residing at __________, any town, any state, declare this to be my Will, and I revoke any and all wills and codicils I previously made.

The opening sentence should make it clear that this document is intended to be your will, give your name, place of residence and revoke any previous wills and **codicils** (amendments to previous wills). This can help avoid a court battle if someone should produce an earlier will.

ARTICLE I: Funeral expenses & payment of debt

I direct my executors to pay my enforceable unsecured debts and funeral expenses, the expenses of my last illness, and the expenses of administering my estate.

By law, debts must be paid before other assets are distributed. This clause gives your executor authority to pay the funeral home, court costs, and hospital expenses.

INSETA copyright 2014

Using the term "enforceable" prevents creditors from reviving debts you are no longer obliged to pay, usually those discharged in bankruptcy. And the term "unsecured" prevents a court from interpreting this clause to mean that your estate must pay off your mortgage or other secured debts that you probably don't want immediately paid off. Note: in some countries, the executor is required by law to pay enforceable unsecured debts. In these states, this clause is unnecessary and may create problems.

ARTICLE II: Money & Personal Property

I give all my tangible personal property and all policies and proceeds of insurance covering such property, to my husband, Matt. If he does not survive me, I give that property to those of my children who survive me, in equal shares, to be divided among them by my executors in their absolute discretion after consultation with my children. My executors may pay out of my estate the expenses of delivering tangible personal property to beneficiaries.

This gives your personal property to your spouse. If there are particular items that you want to go to other people (such as heirlooms, jewelry, professional equipment, and so on) you should enumerate them and the person you want them to go to in a separate clause (e.g., "I give my Beatles albums to my friend William Shears"), and note that Article II excludes those items. Some people will use separate clauses for **legacies** (disposition of money) and **bequests** (disposition of tangible personal property). Note the important clause that accounts for the possibility that your spouse will die first. The clause on insurance means that if some property you owned was destroyed (perhaps in the event that caused your death, like a car wreck), your heirs will receive the insurance proceeds, not the mangled car.

ARTICLE III: Real Estate

I give all my residences, subject to any mortgages or encumbrances thereon, and all policies and proceeds of insurance covering such property, to my husband, Matt. If he does not survive me, I give that property to ___________________.

INSETA copyright 2014

Most people want their spouse to keep the family home. In some states, particularly community property states, it's sometimes preferable to leave your residence to your spouse in a marital trust.

ARTICLE IV: Residuary Clause

I give the rest of my estate (called my residuary estate) to my husband, Matt. If he does not survive me, I give my residuary estate to those of my children who survive me, in equal shares, to be divided among them and the descendants of a deceased child of mine, to take their ancestor's share per stirpes.

Usually, the residuary clause begins "I give all the rest, residue, and remainder of my estate...." because lawyers are afraid to change tried-and-true formulas, and for decades, legal documents never used one word when a half-dozen would do. However, this plain-English form will also work. This clause covers any property you own or are entitled to that somehow wasn't covered by the preceding clauses.

ARTICLE V: Taxes

I direct my executors, without apportionment against any beneficiary or other person, to pay all estate, inheritance and succession taxes (including any interest and penalties thereon) payable by reason of my death.

One common mistake by people who use a living trust as well as a will is to make the beneficiary of the estate different from the people benefiting from the trust. The same problem exists when there are significant specific gifts and the residuary beneficiaries are different from the recipients of the specific gifts.

In such cases those paying the taxes are not those who receive the most property, an arrangement that can unfairly saddle some beneficiaries with the whole tax bill, and at worst can even bankrupt the estate. The goal should be to see that the taxes are paid by those who benefit from gifts. Often, a provision apportioning taxes to taxable transfers is used to make sure that each recipient of a taxable gift pays his or her fair share. Additional language is sometimes used to apportion credits.

ARTICLE VI: Minors

If under this will any property shall be payable outright to a person who is a

minor, my executors may, without court approval, pay all or part of such property to a parent or guardian of that minor, to a custodian under the Uniform Transfers to Minors act, or may defer payment of such property until the minor reaches the age of majority, as defined by his or her state of residence. No bond shall be required for such payments.

This clause gives your executors discretion to make sure any gift to a minor will be given in a way that's appropriate to his or her age. The "no-bond" language is intended to save the estate money.

ARTICLE VII: Fiduciaries

I appoint my spouse, Matt, as Executor of this will. If he is unable or unwilling to act, or resigns, I appoint my daughter, Rose, and my son, Andile, as successor co-executors. If either co-executor also predeceases me or is unable or unwilling to act, the survivor shall serve as executor. My executor shall have all the powers allowable to executors under the laws of this state. I direct that no bond or security of any kind shall be required of any executor.

If you set up a trust in the will, you could name the trustees in this clause as well. The "bond or security" clause is designed to save the estate money.

ARTICLE VIII: Simultaneous Death Clause

If my spouse and I shall die under such circumstances that the order of our deaths cannot be readily ascertained, my spouse shall be deemed to have predeceased me. No person, other than my spouse, shall be deemed to have survived me if such person dies within 30 days after my death. This article modifies all provisions of this will accordingly.

This clause helps avoid the sometimes time-consuming problems that occur if you and your spouse die together in an accident. Your spouse's will should contain an identical clause; even though it seems contradictory to have two wills each directing that the other spouse died first, since each will is probated by itself, this allows the estate plan set up in each will to go forward as you planned.

The second sentence exists to prevent the awkward legal complications that can

INSETA copyright 2014

ensue if someone dies between the time you die and the time the estate is divided up. Instead of passing through two probate processes, your gift to a beneficiary who dies shortly after you do would go to whomever you would have wanted it to go had the intended beneficiary died before you did. Most such gifts go into the residuary estate.

ARTICLE IX: Guardian

If my husband does not survive me and I leave minor children surviving me, I appoint as guardian of the person and property of my minor children my uncle Ernest Gumede. He shall have custody of my minor children, and shall serve without bond. If he does not qualify or for any reason ceases to serve as guardian, I appoint as successor guardian my cousin Kevin Cele.

I have signed this will this ____ day of ____, 20___.

____

(legal signature)

SIGNED AND DECLARED by Wandi Gumede on______ to be her will, in our presence, who at her request, in her presence and in the presence of each other, all being present at the same time, have signed our names as witnesses.

____

(signature)

Witness 1

____

____

Address

____

(signature)

INSETA copyright 2014

Witness 2

____

____

Address

Self-Proving Affidavit

CITY OF ______________

COUNTY OF ______________

Each of the undersigned, Witness 1. and Witness 2, both on oath, says that:

The attached will was signed by Wandi Gumede, the testator named in the will, on the ___ day of ___, 20__, at the law offices of _______________________________.

When she signed the will, Wandi Gumede declared the instrument to be her last will.

Each of us then signed his or her name as a witness at the end of this will at the request of Wandi Gumede and in her presence and sight and in the presence and sight of each other.

Wandi Gumede was, at the time of executing this will, over the age of eighteen years and, in our opinions, of sound mind, memory and understanding and not under any restraint or in any respect incompetent to make a will.

In our opinions, Wandi Gumede could read write and speak in English and was suffering from no physical or mental impairment that would affect her capacity to make a valid will. The will was executed as a single original instrument, and was not executed in counterparts.

Each of us was acquainted with Wandi Gumede when the will was executed and makes this affidavit at her request.

INSETA copyright 2014

____

(signature)

Witness 1

____

____

Address

____

(signature)

Witness 2

____

____

Address

Sworn to before me this_______ day of _______, 20______.

____

(signature and official seal)

Notary Public

It is easy and important to execute a will that is valid and that will leave your loved ones with peace of mind that your wishes will be executed as you would have wanted.

INSETA copyright 2014

Note: If you require assistance in concluding a will, your bank or an attorney would be equipped and able to assist you to ensure that your interests and those of your family and loved ones are protected.

1.2 The implications of the client's marital regime with reference to the distribution of assets

Marital regimes include

- in community of property
- out of community of property
- out of community of property with accrual, and
- not married but in a long term relationship

A. Marriage in Community of Property

This regime applies automatically where parties do not conclude an Ante Nuptial Contract, either by choice, by omission, or by ignorance of the law. When parties marry in community of property; all their assets and liabilities, whether acquired before or during the marriage, fall within one joint estate.

- A useful analogy is that of a pot of soup into which both parties' assets and liabilities are placed. Marriage starts the pot of soup boiling and it is impossible to distinguish which water, which spices, which meat and which vegetables were placed in the pot by whom.

- If a creditor is owed money by either spouse, he simply comes to the pot of soup and ladles out the amount he is owed; whether one spouse perceives an asset to be "owned" by him or her, the fact is that it is "owned" by the joint estate and a creditor is not obliged to tell the difference but can seek satisfaction from the entire joint estate.

Although this is the truest form of sharing, it is extremely risky for parties conducting their own businesses or incurring debts, and often limits parties' contractual capacities as the joint estate is being bound and contracting parties will wish to have both spouses party to any contract.

INSETA copyright 2014

B. Marriage out of community of property

- Continuing with our soup analogy, this regime can be likened to two completely separate bowls of soup. Each party has, and maintains, a completely separate estate. Irrespective of who puts what into each person's bowl of soup, the party who owns the bowl of soup is the owner of its contents before, during and after the marriage.

- This clearly gives parties absolute independence of contractual capacity and protects the estates of each party against claims by the other party's creditors, but there is no provision for any sharing whatsoever. A party who contributed to the other party's estate whether in cash or otherwise would have a heavy onus to prove that he or she was entitled to anything from that party's estate on dissolution of the marriage.

- Where one party stays at home to raise children and does not contribute financially towards the marriage and the other spouse works and accumulates assets, the former may find herself with nothing and no claim to the assets of the latter. (Note: spouses in marriages concluded out of community of property prior to 1984 may find relief in this situation from the courts; those marrying out of community of property thereafter will not).

C. Marriage out of community of property with inclusion of the accrual system

- In 1984 the legislature enacted the Matrimonial Property Act 88 of 1984. The accrual system which derives from this Act was devised to permit a form of sharing, consistent with a primary objective of marriage, but permitting retention of each party's independence of contract and ability to retain their own separate estates.

- Since the accrual system is of relatively new application, in that marriages concluded in and after 1984 are only recently coming to an end by means of divorce or death, it has only recently become fully apparent that the exact operation of the accrual system is not always understood by parties entering these contracts.

INSETA copyright 2014

- It is of paramount importance that parties concluding an Ante Nuptial Contract must fully understand what it are they are signing and how it will operate on death or divorce. It is for this reason that a standard form contract cannot be used, that consultations cannot be held over the phone or by means of email and that, unfortunately, as far as the parties themselves are concerned, an Ante Nuptial Contract is a somewhat more costly and time-consuming document to prepare than it is commonly assumed to be.

- Applying the soup bowl analogy to accrual is a little more difficult since various scenarios can apply. What is of importance, however, is that each party retains his or her own soup bowl, filled with his or her own ingredients, throughout the course of the marriage. However, contrary to a marriage out of community of property, a provision is made for sharing the contents of the bowls at the dissolution of the marriage.

The important features of an accrual marriage are in essence the following:-

- Each party retains his or her own estate. He or she may accumulate assets and incur liabilities without interference from or assistance of the other spouse. The estate of each party is determinable separately from that of the other party.

- At dissolution of the marriage, the estate of each party is calculated by listing all assets, listing all liabilities, subtracting liabilities from assets and arriving at a nett asset value.

- In simplistic terms the monetary value of the smaller estate is subtracted from the monetary value of the larger estate, the difference is split, and the party having the larger estate pays half of the difference between the two estates to the party with the smaller estate.

In practical terms this amounts to a similar division to a marriage in community of property. However there are certain crucial factors of an accrual marriage which add complexity and much more freedom of choice.

- At the commencement of the marriage, when drawing up the Ante Nuptial Contract, the parties can each decide to exclude certain assets. The effect of

excluding an asset will be that it does not feature on the asset statement at dissolution of the marriage and is thus completely excluded from the sharing calculation. For an asset to be excluded it should be properly described and the party should be quite clear as to exactly what he or she contemplates excluding. An asset which is not properly described can cause havoc when the executor or the divorce attorney is trying to decide what to do with it in calculating the nett accrual value.

- Parties not wishing to exclude specific assets may nevertheless exclude a certain sum of money which is the agreed equivalent of assets which they do not wish to share, and which is termed a “commencement value”. This commencement value does not have to (and in fact should not be) be linked by description to specific assets, and will be accelerated by the value of money to its present day value on dissolution of the marriage.

- To exclude either a specific asset, or a commencement value, or both (which must be separate and not derived from the same asset), can effectively ensure that spouses share only what they choose to share and keep separate any item or items, or values, which they do not believe it fair to share (for example something acquired before the relationship commenced).

- Parties may even include a blanket clause that they wish the sharing to commence only from the date on which the marriage is concluded, in which event everything acquired by either of them prior to the date of marriage will be excluded (although the proceeds from any such assets, if any, will not be excluded unless this is specifically detailed).

Note:

Although all of the above may appear to be simple, parties should work through various examples and should express, with reference to specific assets, exactly what their intention is to ensure that the Ante Nuptial Contract is drafted in accordance with their specific wishes. Divorce attorneys encounter numerous clients who state quite confidently “I will not have to share my house/my car/my investments as I owned them before I was married”, but when the Ante Nuptial Contract is consulted it

transpires that they have not been excluded at all, must be included in the asset and liability statement, and are thus subject to the "sharing" calculation. Or it may be that the wording of the Ante Nuptial Contract has been clumsy or not in keeping with the law; maybe the consequences of particular wording have not been thought through to practical application - for example "the husband excludes his house situate at 3 Long Street, Johannesburg, valued at R200 000,00". Does this mean that the husband excludes his house in its entirety? Does it mean the husband excludes his house only insofar as it is valued at R200 000, 00. What did the parties want it to say and what does it actually say?

- Conversely, some parties preparing an Ante Nuptial Contract work themselves into a complete frenzy, almost breaking down their relationship before the marriage even begins, trying to ensure that absolutely everything they can think of is excluded. It is almost impossible to cater for absolutely every eventuality, unless you wish to make a blanket exclusion of all assets which each of you owns as at the date of marriage (and even then you have to give some consideration as to the increase in value of these assets and exactly how they are to be excluded). One wonders if they intend to share anything!

- If you intend to marry, and if you believe that the accrual system may be for you, it is well worth your while to consult a reputable attorney, discuss your own particular requirements and ensure that you fully understand the application of the accrual system to your own particular situation. Have the attorney work through the draft Ante Nuptial Contract as if you were at the stage of dissolution of the marriage and try to anticipate any problems which may arise. The contract should be drafted to eliminate any such problems or cater for them as best possible in the circumstances. This having been said, the contract should not be unnecessarily verbose and complicated but should state the intention of the parties in the clearest and most simple terms (using examples if necessary).

1.3 The standard clauses with reference to the implications for the client's beneficiaries

A Last Will and Testament is a legal announcement or a document, which an individual makes as a disposition of the personal or real property to one or few individuals and is handed over for managing the same at the former's death.

The Last Will and Testament significantly defines the roles of the individuals, which would be different in the event of the plan being in willed form or a trust based plan. Apparently many nations follow the same format of the Last Will and Testament. However, there are deviations too.

The complete will form aims to cover a lot of legal clauses, which would make a comprehensive will.

- Firstly the civil status should be discussed which would be followed by the appointment and designation of the executor in the Last Will and Testament.
- An alternate or a substitute executor also has to be designated. The finance reimbursement should be discussed for the executors. Moreover, the full or partial powers of the executor, as well as the alternate executor must be mentioned.
- Donation of each explicit item to particular people needs to be presented in a clear way. Examples of these assets might be real estate, bank accounts, money, rental property and so on.
- In the event of minors being successors, there is a trust, which needs to be made which would be under the administration of the Executor. Likewise, the age of bestowing the estate revenue, interest and capital should be included. An important inclusion is that of a nomination of custodian and guardians of minors.

Note: see the example of a will provided above for standard clauses

INSETA copyright 2014

Module 2

Legislation to calculate Estate Duty

This Module deals with:

- The Capital Gains Tax (CGT) payable by an estate and an indication of how this affects Estate Duty and liquidity
- The Executors fee and an indication of how this affects Estate Duty and liquidity
- The implications of beneficiary nominations, bequests, retirement funds and long-term insurance policies with reference to estate duty and liquidity
- Estate Duty for the main marital regimes

2.1 The Capital Gains Tax (CGT) payable by an estate and an indication of how this affects Estate Duty and liquidity

The introduction of capital gains tax (CGT) has made it more important than ever to plan properly for what happens when you die, because you now pay both estate duty and CGT on your assets. Not only do you need to protect yourself against paying unnecessarily high estate duty and CGT, but you need to ensure your estate has the resources to pay these taxes. It might be necessary, for instance, to increase life assurance against dying. Until the introduction of CGT, your estate was subject to estate duty at a rate of 25 percent on any amount above R2 million. The only real exception was, and still is, anything left to a spouse, which is not subject to estate duty.

The exemption on assets up to a value of R2 million is still in place, but the rate of estate duty has been reduced from 25 percent to 20 percent because death has become a CGT event. When you plan your estate you must take a number of issues into account. These are:

1. Differences between CGT and estate duty

CGT is a tax on your gross assets, while estate duty is a tax on your net assets (your assets less your liabilities). Although you can claim a capital gain, you cannot reduce

INSETA copyright 2014

the overall value of your assets for CGT purposes by, for example, the repayment of an overdraft, as you could do for estate duty purposes.

Exclusions

The only exclusions from CGT at death are:

- The assets in your estate that are bequeathed to your spouse or partner. The assets are transferred to your spouse at their original base cost or value. When the spouse or partner dies (unless the spouse remarries and leaves the assets to the new spouse), or disposes of the assets, the capital gain will be calculated from the original base cost or value;
- Bequests to charitable, religious or educational institutions; and
- Any capital gain on a life assurance policy that would not have been subject to CGT in your hands if it had matured when you were alive.

Exemptions

After your death, your assets are treated in the same way as they would have been if you had disposed of them when you were alive. So any exemptions, such as the exemption on the first R2 million profit on your primary residence, still apply. But the R30 000 annual exemption (2013) is replaced by a R300 000 exemption in the year of death. Any gain over R300 000 will be subject to CGT.

INSETA copyright 2014

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:		R550,000	
Unit Trusts			
Market Value:	R250,000		
Base Cost:	- R150,000		
Capital Gain:		R100,000	
Total Capital Gains			**R650,000**
Less Capital losses			
Industrial Property			
Base Cost:	R1,100,000		
Market Value:	- R900,000		
Capital Loss:		R200,000	
Less Total Capital Losses of R200,000			**R450,000**
Less exemption:	- R300,000		
Net Capital Gain:			**R150,000**

2. The capital gain or loss calculation of disposal

Apart from the exemptions and exclusions, your assets will be considered to be disposed of to your estate at their market value at the time of your death. This means the capital gain or loss will be calculated by subtracting the base cost or value from the market value.

3. The rate at disposal

The rate of CGT on death is the same as you would have paid while you were alive. So, after exemptions and exclusions, you will pay CGT on 25 percent of the gain at your marginal rate in the year of your death.

INSETA copyright 2014

EXAMPLE - Continuing from above:	
Net Capital Gain:	R150,000
20% of Gain	R30,000
Marginal Rate:	42 Percent
CGT Payable	R12,600

4. The capital gain/loss in your estate

Once your assets have been taken over by the executor of your estate, any capital gain or loss made on them while they are held in the estate is subject to CGT. The estate is treated in the same way as an ordinary individual (a natural person).

So, 25 percent of the capital gain is subject to CGT at the marginal rate of the estate (which again will be based on the same tables as those for an individual). This is an effective top rate of 21 percent.

However, if the executor disposes of an asset to an heir, this is done at the market value (the value at which your estate received the asset) so no gain or loss is made in the estate.

The market value becomes the new base cost of the asset for your heir. This means executors must be careful about assets they choose to sell rather than dispose of to a beneficiary.

Example - continuing from above:

The executor disposes of both the shares and the unit trusts to heirs at the market value, so no CGT is due, as the assets were received and disposed of at market value.
The executor, however, sells the industrial property for R1.2 million. The estate also generated income of R25 000, which makes this portion of the estate liable for CGT at a marginal rate of 32 percent (based on the gain being the only income).

Disposal value:	R1 200 000
Less market value:	- R900 000
Capital gain:	R300 000
25 percent of gain:	R72 000
Marginal rate:	32 percent
CGT payable:	R17 660

INSETA copyright 2014

2.2 The Executors fee and an indication of how this affects Estate Duty and liquidity

The tasks outlined in the summary below fall under the duties of the executor who may be a family member, a trusted friend or a financial institution. Possible complications and unique situations are not covered here. If your situation is unusual in any way, taking legal advice is recommended.

- The executor first needs to obtain the will and check on its validity, establish who the beneficiaries are and get a rough idea of the assets and liabilities of the estate. Gather items such as bank accounts, title deeds to properties, insurance policy documents and any other documents you can find that pertain to the financial affairs of the deceased. If a beneficiary is named in a life assurance policy, the proceeds can be paid directly to beneficiaries without having to go through the estate. This is an ideal vehicle for providing cash to dependants while the estate is being wound up.

- An inventory of assets and property is an official form that can be obtained from the office of the Master of the High Court or from legal stationers. The inventory should indicate whether total assets exceed R125 000. The surviving spouse or closest living blood relative residing in the district where the deceased lived must sign the inventory. If the assets total less than R125 000, the Master can shorten the procedure and allow the estate to be wound up in an informal, cost saving manner. The procedure in this instance is much simpler, in that the executor doesn’t have to advertise for creditors and doesn’t have to draw and submit a Liquidation and Distribution Account.

- An 'Acceptance of Trust' form is available at the Master’s office and must be completed and signed in duplicate. The Master’s office will forward a copy to the South African Revenue Service (SARS).

In most cases the will in question would probably have exempted the executor from lodging security. Security is generally not required in cases where the executor is a parent, child or surviving spouse of the deceased. Where the Master requires

INSETA copyright 2014

security to ensure the honesty of the executor it is usually a bond which can be obtained from an insurance company. The amount of security required is at the discretion of the Master, who generally insists on security covering the value of the assets disclosed in the inventory.

- The executor needs to apply to the Master of the High Court to be formally appointed and granted the necessary powers to administer the estate. This can take up to six weeks, depending on which of the nine Masters' Offices in South Africa is involved. It is best to go in the morning, and take the following documents with you:
  - The original will, (it is advisable to get a receipt when you hand it over).
  - The death notice
  - An inventory
  - A certified copy of the death certificate
  - An acceptance of trust form, in duplicate.
  - A next of kin affidavit
  - An affidavit that the estate has not been reported to another Master's office (required by some)
  - A list of creditors.

Different Masters offices have slightly different requirements, so it is advisable to enquire as to exactly what they require. Aside from the will, all of the above documents are available from the Masters offices.

- The Master of the High Court will grant 'Letters of Executorship' to those persons who have been authorised to deal with the estate and who have agreed to accept the job of winding up the estate. Copies of the ‘Letters of Executorship’ will be needed by banks and insurance companies that may hold assets pertaining to the deceased as proof that the assets they hold will be passed on to the properly authorised representative of the deceased’s estate.

What the Executor must do once appointed

- Advertise the estate so that any creditors can become aware of the need to register their claims against the estate. Advertisements must be placed in the Government Gazette and a local newspaper where the deceased resided in the 12 months preceding death. Creditors have 30 days from the date of publication of the advertisement to lodge any claims against the estate

- Take a look at the deceased's bank account or post, in order to find what monthly payments are being made. You will need to pay up and close these accounts, e.g. credit cards, petrol card, telephone accounts, DSTV, gym membership, clothing accounts, etc.

- Close the deceased's bank accounts and open up a cheque/current account called "estate late" followed by the deceased's name as soon as more than R100 has been received. All investments will be paid into this account and all creditors and beneficiaries will be paid from this account.

- Assets like the deceased's house may be sold, depending on what the beneficiaries want. The proceeds from the sale will go into the 'Estate Account'. This will later be paid out to beneficiaries from the 'Estate Account'.

- Give notice on shares, investments, annuities, policies, etc, that monies owing to the deceased are to be paid into the 'Estate Account'. If beneficiaries have been nominated in policies, they will bypass the estate and be transferred directly to the nominated beneficiary.

- The executor then needs to prepare the 'Liquidation and Distribution Account' (L&D account). This can take from six weeks to six months or even longer depending on the degree of difficulty of the estate. The L&D account includes all the assets and liabilities in the estate at the date of death. It also includes the income and expenditure incurred by the estate since the date of death. The net value of the estate is then the inheritance due to the beneficiaries. When a person dies it can trigger a capital gains tax event depending on the size of the estate, which requires expert tax knowledge to do the calculation. The executor then submits the L&D account together with supporting documents to the Master of the High Court. If the Master has queries, the executor is to respond

INSETA copyright 2014

within a certain time period. The executor submits the deceased's final tax return to SARS at the same time.

- Once the Master of the High Court has given his approval, the account must be advertised in the Government Gazette and in a local newspaper and made available for inspection for 21 days at the Master's office and at the Magistrates office in the district where the deceased lived. The heirs should have the opportunity to review the account before it is finally submitted to the master. If no objections are lodged against the liquidation & distribution account, the Master will confirm that the executor may distribute the assets to the beneficiaries.

- Before distributing the estate, the executor must obtain a release from SARS. This will only be granted by SARS once they are satisfied that all outstanding taxes have been paid.

- Creditors must be paid before the residue of the estate can be distributed among heirs.

- After the account has been advertised, the executor prepares a cash statement and distributes the assets to heirs. It takes an average of eight months to three years to finalise an estate. The executor will also arrange for transfer of fixed property, e.g. a house that was in the deceased's name into the name of the person who inherited it. There will be no transfer duty, but the estate will pay conveyancing costs regardless of who inherits the property.

- Once the executor has provided the Master of the High Court with proof that the creditors have been paid and that the assets have been distributed, the Master signs off the estate and the executor's task are complete.

Note: Everyone has a right to reduce the amount they pay in tax through the proper channels. This applies to estate duty too. Ask spouses and life partners the question: "In the event of your death who will inherit?" Almost always, the answer will simply be: "We have left everything to each other". Sounds easy enough, but how much does it cost?

The truth is that in terms of Section 4(q) of the Estate Duty Act (the deduction of bequests from a spouse), spouses inheriting from each other do not avoid estate duty, but only defer payment until the death of the second spouse.

Executors' Fees

- The Administration of Deceased Estates Act allows an executor to charge fees up to an amount of 3, 99% (including VAT) on the gross asset value of the estate.
- Clients typically do not negotiate executors' fees upfront, but rather leave surviving family members to deal with this issue after death- if at all. Most executors will only consider a reduced fee if requested by the beneficiaries.
- However, the insurer will invite clients to negotiate fees upfront. The negotiated fee is then written into the Will.

Aspects that can have an effect on executors' fees

- By nominating beneficiaries on life policies, clients will avoid paying executors' fees where the estate is not the recipient of the funds. An executor will take fees on all the assets that are reflected in the Liquidation and Distribution account. When giving clients this advice, one should always consider the liquidity of the estate as, generally speaking, it is a lot easier and more cost effective to use life insurance than to sell assets, in cases where there is insufficient liquidity in an estate.

- There are several disadvantages to selling off assets to meet estate expenses. These include:
  - The assets are lost.
  - The disposal may, depending on the asset, be subject to Capital Gains Tax, thereby increasing the need for liquidity in the estate.
  - It may not be an opportune time to dispose of assets. Imagine selling shares at the bottom of current market conditions.

- Clients may want to make specific bequests in their Wills, for instance leaving a valuable antique to a son or daughter. Where there are specific bequests in a Will, the executor is forced to place a value on each of these bequests. In these instances a valuator is called on to value the assets. The result is that the assets

INSETA copyright 2014

will, in most cases, be given a higher valuation and there will also be the added cost of the valuator's service.

- The cost of the valuator needs to be borne in mind when determining liquidity in estate. One also has to consider whether the estate is dutiable or if the beneficiaries are minors, as in these cases the executor will be required to send a valuator to value all assets.
- Clients are sometimes under the impression that if they nominate the surviving spouse or a child, they do not have to pay executors' fees. Any estate with a gross value of R125 000 and above has to be accounted for at the Master of the High Court in the form of a Liquidation and Distribution account. The Master will then appoint the surviving spouse or child as the executor but will insist on an agent to be appointed to assist the spouse or child.
- Regulation 910 of the Administration of Deceased Estates Act states that only a chartered accountant, attorney or a trust company can be appointed in this capacity. The agent will also, in almost all cases, insist on doing the administration of the estate as he/she has the expertise and will be able to charge an executor's fee - or at least - a reduced executor's fee.
- This places the spouse or child in the position of having to first find an appropriate agent and then to negotiate fees with companies, placing further burden on them during a time of bereavement.
- Finally, a policy beneficiary nomination does not exclude the policy from Estate Duty.

2.3 The implications of beneficiary nominations, bequests, retirement funds and long-term insurance policies with reference to estate duty and liquidity

When it comes to estate duty, it does not matter whether the policy is paid directly to your beneficiary or into your estate and then left to the beneficiary. The Estate Duty Act says a policy on your life is a deemed asset in your estate and only in certain circumstances are the proceeds exempt. A policy paid to your spouse would, for

INSETA copyright 2014

example, be exempt from estate duty, but one that pays out to your children would not be.

If the proceeds of a policy are paid into your estate instead of directly to a beneficiary, it also means that the beneficiary will not receive the money immediately and may have to wait months for the estate to be wound up and the inheritance paid out from the estate.

Nomination suspended

Generally the effect of ceding a policy as security for a debt is that it suspends an existing beneficiary nomination. In this case, to reinstate the beneficiary nomination, the cession needs to be cancelled when the debt has been repaid. However, sometimes the legal documents stipulate that a security cession will revoke an existing beneficiary nomination. In such a case, even if you repay the debt and cancel the cession, the nomination will not be reinstated. You can, however, make a new nomination.

The relevant clause may be on any one of four different documents and you need to study the terms of all these legal documents before you cede a policy.

In terms of the underlying credit agreement, the creditor would not be allowed to keep the excess amount and would, in any case, have to pay it over to the person who ceded the policy or to the estate of that person on his or her death.

Estate duty is levied on the net value of the estate after deducting from the assets of the estate the allowable deductions in terms of the Estate Duty Act, and the abatement of R3, 5 million. The deductions include:

- The liabilities of the deceased at the date of death, including CGT arising on death.
- Bequests to public benefit organisations which are exempt from tax.
- Property accruing (including bequests and the right to receive income) to a surviving spouse (with certain provisos).
- Estate administration costs.

INSETA copyright 2014

Another legislative change introduced at the beginning of the year concerned the Estate Duty Act. The change means that investments in retirement annuities (RAs), pension funds, provident funds and living annuities can be disregarded when calculating your estate.

If you have surplus funds to invest in an RA (Retirement Annuity) from which you do not retire before death, the change may offer you an estate duty- effective way to provide estate duty-free cash that can then be passed on to a dependant.

The introduction of regulated beneficiary funds, into which pension, provident and RA benefits can be transferred for the benefit of a minor child, is also an issue that parents, particularly single ones, should consider in their estate planning.

The Act now determines that the payment of a lump sum benefit to a beneficiary fund will be taxed as a lump sum payment on the death of a retirement fund member in the deceased's estate. Income payments from a beneficiary fund to a minor will no longer be subject to tax.

The new tax rates on withdrawals from retirement funds may also provide an opportunity for people who are in debt and have the opportunity to make a withdrawal, The first R22 500 of a withdrawal is tax-free, and thereafter amounts up to R600 000 are taxed at 18 percent. This may be an attractive rate at which to access your retirement savings if you are over-indebted and need to settle or reduce your debts.

2.4 Estate Duty for the main marital regimes

Sometimes, we are reluctant to contemplate our own mortality, and sometimes we feel that by providing for death we are somehow inviting it closer.

- Many very responsible people still leave their estate matters to pure chance, believing that their immediate family will automatically inherit everything. This can lead to unnecessary delays in the administration of the estate and the potential

for added trauma and conflict - at the very time that the family is already suffering the awful stress of dealing with the loss of a loved one.

- If a person dies without leaving a Will, or if the Will is not valid for any reason, the beneficiaries will be determined according to legislation - the Law of Intestate Succession. Essentially, the law determines who the closest blood relatives are and distributes the assets in terms of this. Each situation will be different, according to the nature of the family, but the important point to note is that a family member you may never have chosen to inherit from you could end up with all your assets.

- A typical example of this is where a person has three brothers but does not get on with one of them at all. That brother would inherit an equal amount to the other two if the law determined that siblings were to inherit - even if the deceased sibling hadn't seen him for years. And, if you live with someone but aren't married to the person, the law will not recognise your so-called "common-law spouse" as the beneficiary of your estate if you haven't left a Will naming them as beneficiary.

There may also be practical difficulties concerning the division of assets. Where you may have chosen to leave everything to your spouse by means of a Will, intestate succession could determine that the assets should be split among your spouse and children. This becomes a practical problem where an asset like a house or farm is concerned.

Other disadvantages of dying without a Will:

- The court could appoint someone you do not approve of to be your executor.
- Your estate will be dealt with according to rigid and inflexible law. You can't leave a specific item to someone who would really have benefitted from it, or decide the proportions your beneficiaries will get.
- Your minor children might suffer, since anything they are entitled to receive will have to be transferred in a monetary form to the Guardian's Fund until they turn 18.

INSETA copyright 2014

This means that the family home would have to be sold (to convert it into a monetary form), which is quite possibly something you would never have chosen to happen. If you have no immediate or close family, distant relatives - rather than close friends or a life partner - will claim the inheritance. To avoid experiencing any of these complications, it is important to draft your will to give your family's peace of mind.

Types of marriages

If you are married, the way in which you chose to marry will have a significant impact on your estate. When a marriage comes to an end - either through divorce or death - assets and liabilities have to be dealt with and distributed to other people. Your marital regime will determine where responsibility for the assets and liabilities lies. A common issue which many people do not know concerns marriage in community of property. No matter in whose name property is registered, all assets are jointly owned by both husband and wife. This means that you cannot bequeath an asset in full to someone other than your spouse, since you only own half the asset. With cash it's much more of a problem because it's an asset that's easily divided up, but the executor will have great difficulty dealing with something like a house in this instance.

- Do you live with someone to whom you are not married?
- Do you have money overseas?
- Have you considered your children's future if you're not alive during all their childhood years?
- Is your spouse able to take care of his/her finances after you die?
- What will happen to your business after you die?
- Do you have enough ready cash in your estate to cover your liabilities?
- Does your child know how to manage his/her money?
- Who will look after your children if you die when they're still young?
- Who will care for a disabled family member if you're no longer there to do so?

Similarly, both spouses are liable for the debts of each other. The estate of a surviving spouse could be decreased considerably because of the other spouse's debts.

INSETA copyright 2014

Marriage out of community of property offers far better estate planning opportunities, particularly if your antenuptial contract has been suitably drafted.
The contract may be used to secure certain assets for a spouse, and the marital regime may allow for protection of personal assets against debt, in particular where one of the spouses is in business on his/her own.

The choice of marital regime is a vital part of one's future - yet very few people actually give it significant attention. It's a really good idea to discuss this well in advance, in conjunction with planning your Will, with an estate planning expert.

Not married but living together

South African law is in a state of flux regarding these relationships, but essentially there is little legal protection for a partner in the event of the dissolution of the relationship during one's lifetime or as a result of death. The legal issue relates to both heterosexual and homosexual relationships. There is a particularly great need for people involved in such relationships to carry out careful and thorough planning of their estates. Ironically, although these relationships are not recognised in most South African legislation, certain benefits available to spouses can be claimed - for instance, in terms of the Estate Duty Act. The advice of an estate planner should be sought in this regard.

Divorce

The obligations in terms of a Divorce Order have to be met before the terms of a Will. In other words, if you are liable for maintenance in terms of your Divorce Order, you should put in place a special plan to meet this obligation if you die while it's still applicable. Otherwise, your estate will probably face a major claim for a lump sum for this maintenance need - leaving your estate beneficiaries (perhaps a second wife) out of pocket. It's also crucial to have a new Will drafted as soon as you get divorced. If your current Will names your spouse as beneficiary and you subsequently get divorced, she could still inherit if you die later without having amended the Will.

Children

South African law no longer distinguishes between children born within marriage, those born outside of marriage, and those adopted. If you wish to treat such children

differently in terms of inheritances, your Will should be drafted accordingly. Where children could inherit while under the age of 18, your Will should make provision for a Trust to be set up to house the inheritance. If the inheritance consists of a reasonably substantial amount, the opportunities for growth in the capital value of the inheritance, as well as for flexible use of the funds, are far greater if a Trust holds the inheritance than if it is paid over to the Guardian's Fund.

INSETA copyright 2014

Module 3

The liquidity of an estate

This Module deals with:

- The liquidity of an estate taking into account the provisions of the will and any beneficiary nominations
- The implications of the liquidity situation
- Recommendations to improve the liquidity presented to the client

3.1 The liquidity of an estate taking into account the provisions of the will and any beneficiary nominations

Liquidity can be defined as "the ability to convert an asset into cash quickly". This can be in the form of:

- Cash and investments
- A life insurance policy payable to your estate
- Proceeds from a buy and sell agreement
- Credit loan accounts

In terms of the Estate Duty Act, other liabilities that your estate could potentially be liable for at your death are the following:

- **Executor's Fees**: An amount that your elected executor will receive for his role in assisting in winding up your estate. Usually calculated at 3.99% (3.5% + VAT) of your gross estate.

- **Master's Fees**: the fee charged by the Master of the High Court, approximately R 600.00.

- **Funeral expenses**: Ranging from R 10 000.00 to R 25 000.00.

- **Cash bequests**: Any specific cash bequests to heirs as stated in your Last Will and Testament.

- **Income Tax**: An income tax liability based on your last return.

INSETA copyright 2014

- **Capital Gains Tax**: Upon death, a CGT event is triggered and therefore you may be liable for Capital Gains Tax on certain assets e.g. Property.
- **Liabilities**: Any debt that is still owing to creditors (loans etc)
- **Accrual claim**: An accrual claim may arise if one is married out of community of property (ANC).

A comprehensive liquidity analysis will give an indication of whether there is sufficient liquidity in the estate to provide for the above expenses.

3.2 The implications of the liquidity situation

The potential danger that your family could face should you not have sufficient liquidity in your estate at death however is undoubtedly evident.

Liquidity requirements include:

- An estate can take a year or even longer to be wrapped up. During this time you need to ensure your dependants have sufficient money.
- Ensuring that there does not have to be a fire sale of assets to raise money urgently to meet liabilities, reducing the value of the benefits your heirs could otherwise receive.
- The payment of outstanding debts such as a mortgage loan.
- The payment of estate duty and capital gains tax.
- The payment of funeral and other costs.
- The payment of fees to your executor and to the Master of the Supreme Court.

A comprehensive liquidity analysis will give an indication of whether there is sufficient liquidity in the estate to provide for the above expenses. The risk of not having sufficient liquidity in the estate is that the heirs may face the threat of having to realise assets, such as property or motor vehicles in order to pay for the above expenses. This could be disastrous for the family who may well need to live in the house.

INSETA copyright 2014

3.3 Recommendations to improve the liquidity

Liquidity can be generated from:

- Group life cover provided by a retirement fund. This money will go directly to dependants.
- The provision of a pension from a pension fund. In most cases, a pension will be provided to the spouse as well as to children. Most children are paid pensions until the age of 21 or 25 if the child continues to study.
- Provident funds. This will be a lump-sum payment to a beneficiary.
- Retirement annuity, which will be paid out to the beneficiary.
- Life assurance policies (both risk and investment policies) can be paid out at your death directly to your dependants, to pay off debt directly or into your estate, depending on where cash is required. You must name the beneficiaries on your policy documents. The proceeds are however subject to estate duty.
- If you have ceded a life assurance policy to a bank to cover debt, you must ensure that you give instructions to the bank and life assurer about what must happen if you die and part, but not all, of the policy is used to settle your debt. You can decide whether the residue must go to your estate or to another beneficiary.
- If you are retired or about to retire you must ensure that your annuity (pension) provides an income for dependants after your death. Your main options are:
- A joint and survivorship annuity, which will continue to pay a pension until the death of the surviving partner.
- A "capital preservation annuity". Part of the income paid by the annuity will go to pay your monthly pension and part will go to fund the life assurance policy.

INSETA copyright 2014

- A living (linked) annuity. At death your dependants have a choice whether to take the residue as a lump sum, to purchase any other type of annuity, or to continue to receive the annuity.

INSETA copyright 2014

Module 4

Propose a financial solution to ensure the orderly and cost effective winding up of the estate

This Module deals with:

- Options to minimise Estate Duty for different scenarios
- Ways of improving the practical application of the will with due regard for the liquidity of the estate and arrangements for dependants

4.1 Options to minimise Estate Duty for different scenarios

Establishing a trust may reduce your estate's tax liability and ensure that your beneficiaries are provided for after you die. When you die, all your assets (property, possessions, investments and cash) make up what is known as your estate. In terms of the Estate Duty Act, your estate has to pay estate duty, which is essentially a death tax.

The estates of people who were resident in South Africa at the time of their death pay estate duty at a rate of 20 percent on the value of their estates over R3.5 million.

If your estate does not have sufficient cash to pay the duty, the executor of your estate will be forced to sell some of your assets to pay it. When calculating estate duty, your assets also include what are called "deemed assets" – for example, the proceeds of a life assurance policy that is paid out at your death to a nominated beneficiary.

A. Estate duty and spouses

In terms of the Estate Duty Act, your estate does not have to pay estate duty on assets you leave to your spouse. You and your spouse should draft your wills to take advantage of the R3.5 million abatement (deduction) allowed to each taxpayer, for the ultimate benefit of your heirs. You should each bequeath the residue of your estate, less the first R3.5 million, to your surviving spouse.

INSETA copyright 2014

Remember that leaving assets to your spouse defers the tax that will ultimately have to be paid on the combined value of the assets in both estates (if they are worth more than R3.5 million) when your spouse dies. So you should aim to ensure that your spouse's estate is not left with an estate duty liability.

B. Taxation of deceased estates

Income tax

When a taxpayer dies, one tax entity ends and another – namely, your estate – comes into existence. Any income which the executor of your estate receives after you die is taxed either in the hands of the estate itself or in the hands of your heirs. Whether your estate or your heirs pay income tax depends on whether or not they have vested rights. A beneficiary has vested rights to an inheritance if your will grants him or her the inheritance unconditionally and immediately.

C. Capital gains tax (CGT)

The Income Tax Act assumes that when you die, you dispose of your assets at their market value (their value at that time) and your estate acquires them at that value. This means that your estate becomes liable for CGT, although not all assets are subject to the tax. Cars, caravans, furniture and other movable assets, as well as the first R2 million profit from the sale of your primary residence are excluded from CGT.

CGT is also not applied to assets you leave to your spouse. The CGT is deferred until your spouse dies or disposes of the assets.

D. Pegging the value of your estate

Your age, the potential for your assets to grow and the way the trust is structured determine whether or not it is worth your while setting up an inter vivos trust to limit the estate duty your estate will pay. If you are at an advanced age, there is not much point in transferring your assets to an inter vivos trust, because it is unlikely they will grow substantially by the time you die.

INSETA copyright 2014

You should only transfer assets that are expected to grow in value into an inter vivos trust. There is no point transferring assets which do not increase in value or which lose value, such as motor vehicles.

A share portfolio is an example of an asset you may want to transfer into an inter vivos trust. If, for instance, the portfolio is worth R2 million when you transfer it into the trust, and it is worth R10 million when you die, R8 million of the growth would have taken place within the trust. Your estate will thus save duty of R1.6 million.

In order to transfer assets into an inter vivos trust, you have to create the trust and sell the assets to it at their full market value. However, the trust will not have any income and will not be able to pay you for the assets. To obviate this problem, you "lend" the trust the money, and the trust sets up a loan account on its books in your name.

You and your spouse can each donate R100 000 a year to a trust without paying donations tax. This donation enables the trust to reduce ("repay") the loan by R200 000 a year.

It is important you actually transfer the R100 000 (or R200 000) into the trust and do not simply waive the money the trust owes you. The trust's loan account must reflect that the loan is being reduced by R100 000 (or R200 000) each year. If not, the trust could be deemed to have donated R100 000 (or R200 000) to you instead of repaying its loan to you by R100 000 (or R200 000). The donation could trigger donations tax.

Also be careful not to bequeath the balance of the loan account to the trust in your will, otherwise CGT will be triggered. Instead, you should bequeath a cash amount to the trust. The trust can use the cash to repay the loan account in full on your death.

It is important to review your will annually to adjust the cash amount bequeathed in line with the up-to-date balance of the trust's loan account. Apart from pegging the value of your estate, because the assets grow in value within the trust and not in

INSETA copyright 2014

your estate, the beneficiaries of the trust, such as your spouse, children or grandchildren, can benefit by receiving income from the trust.

4.2 Ways of improving the practical application of the will with due regard for the liquidity of the estate and arrangements for dependents

Little planning usually goes into an estate although you want everything to run as smoothly as possible for the people and loved ones that you are leaving behind. To improve the liquidity and estate arrangements for your dependants, it is advisable that you appoint an executor for your estate. The improvement of liquidity was already discussed earlier.

What should Estate Planning do for you?

In order to be truly effective in combating the vagaries of wealth erosion, your estate plan should:

- Minimise estate duties and other taxes;
- Provide IMMEDIATE and adequate income and capital for your dependants in the event of death or disability;
- Allow sufficient liquidity to cover unforeseen costs;
- Be flexible enough to adapt to changes in the legal environment;
- Adapt easily to any changes in your personal circumstances;
- Offer secure protection of your assets against insolvency;
- Facilitate the easy administration of your estate.

When you improve the practical application of the will the estate will be wound up without any difficulties and all dependants will be left with enough resources to carry on.

Bibliography

www.wikipedia.co.za
www.persfin.co.za
www.assupol.co.za

INSETA copyright 2014