

Understanding Estate Planning



How to read this document

This document provides some additional information to help you understand the financial planning concepts discussed in the SOA in relation to estate planning.

Managing your finances to meet your day to day requirements as well as your long-term goals can be a complex task. There are all sorts of issues you need to consider such as taxation, legislation, protecting your wealth and assets, associated costs and the inherent risks of investment. When undertaking a financial plan it is important that you understand how these issues will impact on you and what you should expect over time.

Your financial adviser will provide you with a Statement of Advice (SOA) which sets out the details of the advice and how it will meet your goals and objectives.

It is very important that you read this document to help you understand the benefits of the strategies recommended to you, and the associated costs and risks.

If you do not understand anything or need further clarification, please contact us.

Important information

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This document contains general information about the benefits, costs and risks associated with certain product classes and strategies. It is designed for use in conjunction with a Statement of Advice that takes into account the circumstances and objectives of an individual. Before making a commitment to purchase or sell a financial product, you should ensure that you have obtained an individual Statement of Advice.

As legislation may change you should ensure you have the most recent version of this document.

Estate Planning

An effective estate plan includes tax effective Wills to protect your estate and the interests of your beneficiaries in the event of your death.

Jointly held assets, trust assets and superannuation, however, are not necessarily dealt with by the terms of the Will. These are usually considered 'non-estate' assets for estate planning purposes.

It is therefore important to have a comprehensive estate plan to ensure that all assets are transferred in the most effective and efficient manner.

Outlined below are some factors to consider when developing your estate plan.

Your Will

Your Will is the document that transfers the assets owned in your individual name to your nominated beneficiaries.

Most people wrongly believe that their Will covers all of their assets, so special care should be taken to ensure that the ownership and control of all of your assets, including 'non-estate' assets pass to beneficiaries in the way you intend.

Testamentary Trusts

A Testamentary Trust is a trust created pursuant to your Will and may have several significant advantages for any current and future children and grandchildren.

Testamentary Trusts can help to distribute your estate to your beneficiaries in a potentially more tax-effective manner and may reduce the likelihood of a successful challenge to your Will.

A Testamentary Trust may also provide asset protection for beneficiaries of your estate who may face certain legal claims on their assets. However, if the trust is established in contemplation of frustrating the claims of, for example, legitimate creditors, the courts may effectively unwind the arrangement.

Power of Attorney

Granting a Power of Attorney means that you legally appoint a person or an organisation to make decisions, sign documents, and act on your behalf in various matters.

When you grant a Power of Attorney you may choose to limit the actions which the attorney can perform on your behalf (Limited Power of Attorney) or give the attorney wide powers to undertake actions on your behalf (General Power of Attorney).

Enduring Power of Attorney

One of the limitations of a Power of Attorney is that it generally ceases when the person suffers a loss of mental capacity. This can be overcome with the use of an Enduring Power of Attorney. This type of Power of Attorney does not cease on mental incapacity and can therefore provide an important tool in estate planning.

It is also worth noting that different states have different rules regarding the implementation of a Power of Attorney.

Medical Treatment and Lifestyle decisions

It is important to note that different States have different ways of dealing with medical and lifestyle decisions for a person who is mentally incapable of making such decisions.

Such methods may include:

- Power of Attorney (Medical Treatment)
- Enduring Guardianship
- Enduring Power of Attorney

As State based requirements differ, it is important to seek advice on this issue when putting together your estate plan.