Don't leave behind your asset without proper estate planning.

Key to Total Financial Planning…

- ***Cash Flow & Balance Sheet Statement***
- ***Insurance Planning***
- ***Investment Planning***
- ***Retirement Planning***
- ***Estate Planning***

Estate Planning for Everybody? Almost!

Estate Planning is the process of planning for the accumulation, conservation, and distribution of an estate to achieve both the tax and non-tax goals. It sounds complicated and seems to apply only to the rich with lots of money and assets to pass on to their beneficiaries. Not really! Estate planning is for everyone. Even those with limited wealth, some degree of planning is still necessary, with minimal cost too.

Estate transfer can be done before or upon death. Estate transfer before death is also known as inter vivos, and it may be done via Gift, Trust and/or Sale. Estate transfer upon death is through Will and/or Will Substitutes.

Estate Transfer Tools: Before Death

Estate transfer before death may be done in the one or more than one of following ways – gift, trust and sale:

Gift
- Giving the asset away to a beneficiary without holding any rights unconditionally.

Trust
- Appointing a trustee to hold the legal title in the asset for the benefits of the appointed beneficiaries. The trust can revocable or irrevocable. A Fixed Trust dictates how the assets are to be managed and distributed while in a Discrepancy Trust, the trustee is given the authority to decide how the assets are to be managed and distributed.

Sale
- Selling the asset to the beneficiary and retaining the sales proceeds.

Even those with limited wealth, some degree of planning is necessary.

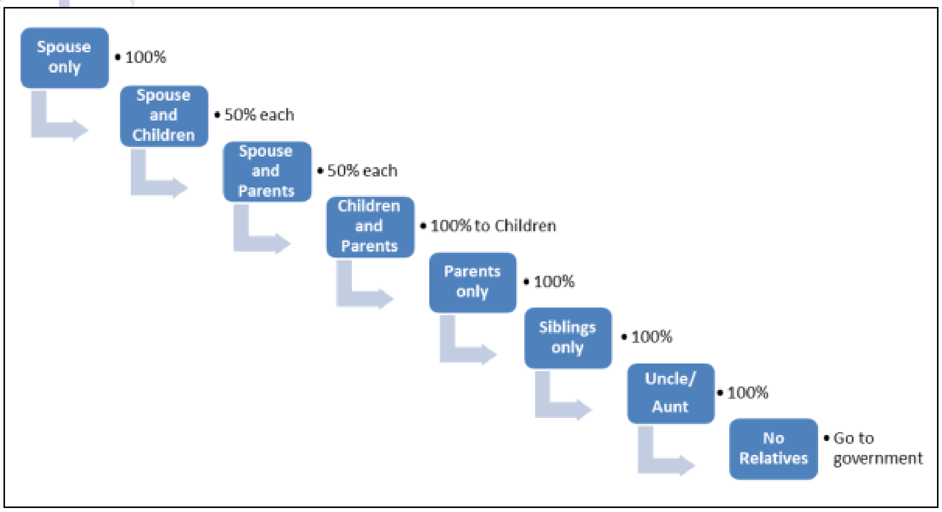
Estate Transfer Tools: Upon Death

A person can effect the transfer of assets upon his death either through the probate process in the form of Will or Intestate Succession Law, or through Will Substitutes which are free-of-charge.

Will and Intestate Succession

A Will is a legal document that sets out how the client's (testator) property shall be distributed upon his death. The beneficiaries can be his friend, relative, his favorite charity or institution. The testator can also appoint a contingency beneficiary in the event that the actual beneficiary passes away prematurely. He can use the Will to designate executor of his choice and define his powers to suit his wishes. When executing the will, all outstanding debts owned by the estate must first be paid off before the balance can be distributed to the beneficiaries.

When a person dies without leaving a will or other legal document that disposes of his estate, he is known as an intestate decedent. The intestate decedent's living relatives may inherit his assets according to the following order:



When there is more than one person in a surviving persons' group, the estate will be divided equally among the surviving persons. Under this process, the person most entitled and willing to be the Administrator must apply to Court to extract the Grant of Letters of Administration. If the deceased dies without having any persons falling into the above descriptions, his estate will be considered bono vacantia and the Government will be entitled to the whole estate.

Full details of Singapore Intestate Succession Act can be located at http://statutes.agc.gov.sg/non_version/cgi-bin/cgi_getdata.pl?actno=1967-REVED-146&doctitle=INTESTATE SUCCESSION ACT&date=latest&method=whole

Key to Estate Transfer before Death...

- ***Gift***
- ***Trust***
- ***Sale***

Key to Estate Transfer upon Death...

- ***Will or Intestate Succession Law***
- ***Will Substitutes***

Will Substitutes

There are four main kinds of will substitutes:

- Property - Joint Tenancy
- Life Insurance – Nomination
- Business – Buy-sell Agreement
- CPF Money – CPF Nomination

Property can be owned under Sole Ownership, Tenancy-in-common (each owner shares a certain percentage of the property) or under Joint Tenancy. Under Joint Tenancy property, the owners collectively hold 100% share of the property. In the event that one party dies, the remaining survivors will own the property wholly. Hence, there is no need to go through the probate process.

In **life insurance**, the owner is able to nominate the beneficiaries using the prescribed form from the insurance company.

In **business**, the buy-sell agreement stipulates that, upon the death of one party, the other party(ies) to the agreement will purchase the deceased's share in the property stated in the agreement.

And for all your **CPF Money** that are still deposited with CPFB , namely your money in Ordinary Account, Special Account and Medisave Account, you can nominate the beneficiaries using the CPF Nomination Form. Do note that the CPF Nomination does not apply to money that had been taken out for investment. Also, upon marriage, the previous nomination will be revoked and you need to re-nominate again.

Insurance as a Tool for Estate Planning

Expenses incurred in the usual estate transfer are debt repayment, administrative cost such as legal and management fees, valuation cost, accounting, tax related service and stamp duties. One major problem faced by some estates is when the assets are illiquid to pay for immediate needs. In such cases, the estate may need to force sell the assets under unfavorable terms and prices.

Life insurance could play an important role in this aspect - if the deceased had sufficient life insurance policies, the proceeds can provide sufficient funds to provide for immediate needs and force sale of the assets can be avoided.

To calculate how much life insurance to buy for payment of the immediate expenses, you will need to add your total debt and the administrative cost involved, which your lawyer can advise you while drawing up the will. You may get the life insurance via Term, Whole-life Insurance and/or Savings Plan. But for higher protection value, it is advisable to get term insurance and/or whole-life insurance for estate planning purpose.

In estate planning, Trust Nomination for insurance policy is a useful tool to protect the insurance pay-outs from your debtors in the event of bankruptcy.

You can create a Trust Nomination by nominating the spouse and/or children as the beneficiaries which automatically create a statutory trust in favour of the beneficiaries. The implication is that you will not be able to change nomination subsequently except with the approval of all the existing beneficiaries. Hence, a divorcee cannot change the beneficiaries to his new wife and children without the consent of his ex-wife and/or children from the previous marriage. The creation of such a trust also implies that the policy owner will irrevocably lose all rights and control over the insurance policy concerned, including pay-outs made when he claims on critical illness or total permanent disability. The insurance policy under trust nomination will also be protected from your debtors upon bankruptcy as you have given up all rights under the Trust Nomination.

Type of Life Insurance Plan	Pros and Cons
Term Insurance	Affordable but will terminate at a certain age, usually 75. Premium payment is required as long as one is insured.
Whole-life Insurance	More expensive than Term Insurance but cover you whole-life. Limited-payment term is now widely available.
Savings Plan	Combine savings and protection in one plan. As it focuses more on savings returns, the Sum Assured is generally lower.

Conclusion

Estate planning may not be as intimidating as how it is being defined in the first paragraph of this article. You can start with the simplest tools - Will Substitutes by filling up the nomination forms for your life insurance and CPF money, applying Joint Tenancy for your property(ies) with your loved ones, establishing a buy-sell agreement with your business partners. To prevent any dispute among your heirs, it may be also worthwhile writing a will to specify how your estate is to be distributed according to your wish.

Trust Nomination for insurance policy is a useful tool to protect the insurance pay-outs from your debtors in the event of bankruptcy.

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