

Estate planning and wills

Estate planning is widely used to achieve the most appropriate financial outcome for a family.

The process needs to take into account the financial needs of surviving spouses, children, other dependants (e.g. parents) and even possibly grandchildren. Although tax considerations should never be ignored, they should not be taken into account in a way which could result in the needs of dependants being subordinated. For example, although it may be tax efficient for a man to bequeath all his assets to his children or grandchildren to reduce potential taxes payable on the death of his wife, it is usually very inappropriate to expect a surviving spouse to have to rely on her children for financial support.

It must always be remembered that, on the death of a South African resident, one is deemed to have disposed of all assets owned on a worldwide basis at current market values. The resultant gains could be subject to capital gains tax. This is in addition to estate duty, which may be payable on the net value of the estate of the deceased.

Your estate must have sufficient cash available to settle these taxes. If insufficient cash is

available, a simple life insurance policy could be appropriate. However, although sufficient life cover may be in place, people sometimes overlook the fact that it may not be the estate that is the nominated beneficiary in such policies but third parties such as a spouse, children or other dependants. The choice of beneficiary may also affect the amount of estate duty payable, the amount of executors' fees payable, etc.

Estate planning often includes taking out insurance policies, the formation of trusts and the transfer of assets to such trusts. The most important estate planning tool is a will. Therefore, it is critical that your will is prepared by a competent person and that person is furnished with all details of your financial assets and liabilities and the needs of all your family members and dependants. When amounts are large and financial affairs complicated, it is usually advisable for a will to be drafted by a suitably qualified attorney after discussion with an accountant who is fully conversant with your financial affairs.

It is critical that, after you have prepared a will, you review it every time if there is a material change in your financial affairs or if there is a family- or dependant-changing event, e.g. emigration, divorce, marriage, birth, death. Alternatively, every 2 years

would generally be an appropriate review period.

Another factor to consider is that the definition of a minor has recently been changed. With effect from 1 July 2007, a child – male or female – becomes a major upon reaching the age of 18 years (previously 21 years). It must also be remembered that the lump sum payable on death by a pension or retirement annuity fund is free of both estate duty and capital gains tax. Such policies could therefore be extremely tax efficient. However, the nomination of appropriate beneficiaries is critical as the trustees of such funds can override inappropriate choices in this regard.

Estate planning can be simple or complex, depending on the needs of the family.

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SINGLE SUTURE

Masking dementia

Mental activity may help protect you from dementia, but you may deteriorate more quickly if you do develop the condition.

Robert Wilson's team at Rush University Medical Center in Chicago tracked the cognitive performance of 1 157 over-65s over 6 years. Each rated their own degree in participation in mental challenges such as puzzle solving.

People with a high rating showed less decline than those who were less mentally active, but if later diagnosed with Alzheimer's disease they worsened more rapidly.

These people may have staved off symptoms for longer and so may have been diagnosed late, says Wilson, although he adds that being mentally active is still worthwhile.

New Scientist, 4 September 2010, p. 16.