



Estate Planning

Declan Baker, Financial Adviser

Benjamin Franklin famously wrote in 1789, "...nothing can be said to be certain, except death and taxes". Although we typically spend a significant amount of time trying to minimise our taxes, focus on estate planning can often be neglected. Our estate is the result of our life's work and should therefore be treated with utmost care, to ensure our assets are passed to our preferred beneficiaries in the most tax-efficient manner. Planning for the transfer of assets can be a complex matter and should involve the drafting of documents by a specialist estate planning lawyer, to ensure adequacy and validity. With that in mind, here are three areas that need to be considered by all Australians, and should assist as a prompt to check or review your current arrangements.

Superannuation

Superannuation assets account for more than one quarter (28.6%) of household net worth in Australia¹, with this proportion expected to grow as more and more Australians contribute to Superannuation throughout their working lives. Despite the level of wealth contained within this investment vehicle, it isn't common knowledge that Superannuation is a non-estate asset. A non-estate asset is one that is not automatically dealt with in a Will. Therefore, even if a valid Will is in place, Superannuation assets can often end up in the hands of unintended recipients.

With Superannuation forming a non-estate asset comes a raft of both planning opportunities and considerations. Your wishes can be nominated and instructions can include transferring assets immediately to a spouse, children or your estate (effectively making the proceeds an 'estate asset'). A key estate planning benefit of Superannuation is that funds can bypass the Will, when nominating a spouse or children as beneficiaries. This generally expedites the transfer, whilst also limiting contesting opportunities for unintended recipients.

There are two nomination types that can be provided to Superannuation funds; either a Death Benefit Nomination (DBN) or a Binding Death Benefit Nomination (BDBN). The key difference, as per the name, is whether the nomination is 'binding'. If the nomination is non-binding, the trustee of the Superannuation fund has discretion over the transfer of funds, if for some reason they deem the nomination isn't appropriate. If your nomination is binding however, the trustee of your Superannuation fund must transfer funds to the nominated beneficiary.

It is important to review any existing nominations on your Superannuation portfolios, to ensure the beneficiaries are current and your nomination type is suitable. Self-Managed Superannuation Funds may also offer enhanced planning opportunities within this space.

Will

A Will is essential when it comes to estate planning documents, yet it has been estimated that as much as 60% of adults in Australia do not have a Will. Furthermore, of those that do have a Will, 50% are expected to be invalid due to changing family conditions. The result is an estimated 80% of Australian adults do not have sufficient documents in place to adequately allocate their assets in the event of death².



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To pass away without a valid Will is said to have died intestate. In this event there are a number of complications added to proceedings. Although specific rules vary state by state, the process can result in significant additional cost, delays in the transfer of assets as well as providing no control over the division of assets. It is therefore important to ensure your Will disposes of all assets, reflects your current wishes and is valid. Certain circumstances may invalidate a Will and should prompt a review. Some of these include marriage, having children or a divorce, to name a few. Consideration should also be given to the storage of your Will, as it will need to be located by your nominated administrator to ensure you are not assumed to have died intestate.

Power of Attorney

Similar to a Will, a Power of Attorney is generally considered a staple of estate planning documents. Unfortunately, little consideration is given to whom will make both financial and medical decisions for us, in the event we are unable e.g. due to medical reasons. As with all estate planning, there are a number of options at our disposal and it's important to understand these options to deem what is most suitable for a given circumstance.



As with a Will, the law that governs Powers of Attorney differs between states, however the overarching themes and types are very similar. Powers of Attorney can either be general or enduring in nature.

A general Power of Attorney appoints power to make financial decisions on your behalf for a specified period of time and is generally invalidated if during effect you lose the ability to make your own financial decisions. As such this form of power is generally utilised if there is a period of time for which you will not be available to manage financial affairs, such as extended travel to a remote location.

An enduring Power of Attorney can be utilised to appoint a trusted friend or relative to make financial and medical decisions on your behalf, if you are unable to do so yourself. This power continues even if you lose capacity.

When establishing a Power of Attorney, important considerations include the purpose, nomination of multiple attorneys (in case an attorney is unable or unwilling to act on your behalf), the trigger that enacts the Power of Attorney and the specific power granted. As with a Will, this document is only valuable if it is able to be located. It is important to provide certified copies of this document to trusted advisers and family.

This article focuses on the overarching need to review and maintain sufficient estate planning documents to ensure your estate and medical care is managed as per your wishes. If you're not sure whether you have sufficient planning in place or would like to review your existing plan, please speak to your Stonehouse adviser during your next review meeting for further information.

Please note this article should not be relied on to implement estate planning documents. This piece is designed to prompt a review / implementation of estate planning documents that give consideration to your personal circumstances and wishes.

Sources:

1 Roy Morgan Single Source (Australia), January-December 2014 (n=51,969); new wealth = total household wealth – total household debt.

2 TheWillRegistryAustralia-securingthelocationofyourWillandimportant Documents. 2016. The Will Registry Australia - securing the location of your Will and important Documents. [ONLINE] Available at: <http://www.thewillregistry.com.au/benefits.php>. [Accessed 17 February 2016].



Five Minutes with ...

Jon Papinczak, Financial Adviser

What does your role at Stonehouse entail? Working with clients to create strategies that will assist in meeting their short and long term financial goals.

What do you love most about the role? Witnessing the positive effect that good financial advice makes to our clients throughout various stages of their lives.

What's your biggest challenge? Finding new and inventive ways of explaining complex concepts in simple terms.

Why did you decide on this career path? When I finished my Commerce (Finance) degree at University I started working in company accounting. While I was working in the 'Finance Industry' I was missing the ability to help

my family and friends with their financial concerns. So I made the switch and haven't looked back.

What are you reading at the moment? A fictional series called 'The Red Queen's War'.

Favourite pass times? I enjoy playing Soccer with friends and hanging out with my fiancée and two dogs, Layla and Rocket.



SMSF Expectations

Jo-anne Davis, SMSF Manager

As we are well advanced into another financial year, the Australian Taxation Office (ATO) has released their expectations of all SMSF Trustees.

It is expected that all Trustees take their role seriously and to seek assistance from their Stonehouse Adviser when they need help. As a minimum Trustees should understand the obligations in the SMSF New Trustee Declaration.

This financial year will see a range of important events, from the implementation of SuperStream to the change in the preservation age for those born on or after 1 July 1960 (from 55 to 56).

You can expect to see the ATO taking stronger compliance action against serial non-compliers, in particular SMSF Trustees who don't deliver on agreements in enforceable undertakings. In these circumstances, the powers they gained on 1 July 2014 (direction to rectify, education and SMSF administrative penalties) will increasingly come into play.

A number of issues will be on the ATO's radar during 2015 / 2016, including:

- Individuals who enter the sector with poor personal taxation lodgement histories and no or limited income
- SMSFs with overdue annual returns
- Breaches reported in auditor contravention reports that have not been rectified
- SMSFs that have significant changes in assets and income, outside the previous pattern of the Fund and without obvious reason
- Possible non-commercial related-party investments or transactions
- Non-compliance with pension rules
- Inappropriately claimed tax deductions when a Fund is in pension phase.

The ATO understands that the majority of Trustees willingly comply with their obligations and are trying to do the right thing, but individual circumstances and varying levels of expertise mean that some Trustees will occasionally make mistakes managing their Fund.



New Additions



Madison Anne Grace was born to Stonehouse Office Manager Lara Baker (nee Stewart), and her husband, Stonehouse Credit Adviser Ric, on November 17.



Mason Mark Dozzi was born on New Year's Eve 2015 to Adviser Caleb Dozzi and wife Georgia, (here with big brother Luca).



Adviser Kane Livingstone and his wife Kirsty welcomed baby boy Jett Frazer Mark into the world on August 6.

Stonehouse Annual Staff Golf Day



The Annual Stonehouse Great Goofy Golf Day was held at Indooroopilly Golf Club. Although there was torrential rain during the lead up, the sun was shining brightly on the day itself which saw the team of Steve Kellaway, Renee Dien-Wilson, Caleb Dozzi and Georgia Dozzi (pictured above), prove victorious.

Additional trophies were awarded to Jon Papinczak (winner – Closest to the Pin) and Michelle Warren (winner – Longest Drive) . Yes....Michelle did beat all the boys!



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