



More than 20 per cent of Australians are finding it difficult to repay debt, a new study by Veda Advantage shows. And 50 per cent of people who are looking to take on more debt are already in financial hardship, it found.

Prepare for life's certainty

Nothing is certain but death and taxes, although you can at least make plans for your demise, writes **Anthony Keane**

PLANNING to die sounds morbid, but people who don't think about money matters surrounding death risk leaving behind a fractured family and a painful legal and financial mess.

From wills and funerals to superannuation and advanced estate-planning strategies, there is plenty to consider whatever your age.

"The reality is everyone will die, but for some reason our culture of youth does not acknowledge this," says Marinis Financial Group financial strategist Theo Marinis.

"For some people there is almost a superstition that if I get myself organised to die it will bring the inevitable on more quickly."

WILLS

Making a will is important for anyone with assets, and vital for those with children.

"Seeing a lawyer will really help, particularly if you have a reasonable estate," Marinis says.

"However, if you can't afford a lawyer a \$30 will kit from the newsagent – or a letter, ideally witnessed – is better than nothing."

Others say cheap DIY will kits are a bad idea.

Kelly & Co Lawyers estate planning specialist Marc Romaldi says they are usually unable to cover all the bases.

"The cost of fixing mistakes and settling disputes arising from a

homemade will is much higher than the cost of drafting it in the first place," he says.

State Trustees managing director Tony Fitzgerald says it will cost about \$180 an hour for a trustee organisation or solicitor to help prepare a will.

Keeping a will updated is vital to reflect life changes such as marriages, separations, births, deaths and retirements.

"Outdated wills often have nasty consequences, including assets being left to unintended beneficiaries such as estranged partners," Fitzgerald says.

FUNERALS

Planning your funeral – and even paying for it in advance – can save your family a lot of worry and even increase age pension benefits.

Bryan Elliott, the CEO of Adelaide's Centennial Park cemetery, says without proper planning it is difficult for family and friends to ensure your wishes are carried out.

"Most people don't know what to do when a loved one passes away," he says. "For families, the process of making arrangements when they're dealing with their own grief can be overwhelming."

Elliott says many cemeteries offer prepaid options for cremation costs, chapel fees, memorial and burial licence fees and plaques.

Ern Jensen Funerals managing director Andrew Pinder says a typical funeral with cremation



Picture: Naomi Jellicoe

Don't leave your loved ones in the lurch **[P2]**

costs about \$5000, while burials usually cost more.

He says any amounts paid for prepaid funerals are exempt from the Centrelink pension assets test.

"Prepaid funeral money is invested securely with recognised financial institutions – not with funeral directors," Pinder says.

Funeral insurance can be expensive, Pinder warns, and doesn't record your wishes like a prepaid funeral. "A person who starts paying insurance at age 60 who reaches a life expectancy of 86 may pay around \$50,000 for funeral insurance worth \$6000," he says.

LIFE INSURANCE

Life insurance pays a lump sum to your beneficiaries when you die, but gets more expensive as you age.

PKF Financial Services partner Tony Simmons says many people hold life insurance within super, which "gives the impression to the

person that they are not paying for it directly".

Simmons says life insurance payouts from super to a financial dependent such as a spouse are tax-free.

"But if you pay to an independent beneficiary, like a 25-year-old son or daughter, there could be some tax consequences," he says.

Complete Financial Balance principal Tapel Cafer says people should make sure they leave enough money to support dependants and to cover debts.

"Make sure with your super that you have put in place binding death nominations," Cafer says.

SUPERANNUATION

Many people don't realise that their superannuation sits outside of their will, and the super fund trustee decides where their funds go, even ignoring the nominated beneficiaries if they wish.

IF YOU CAN'T AFFORD A LAWYER, A WILL KIT IS BETTER THAN NOTHING

"The problem is the trustees could do anything," Simmons says.

This can be overcome by making a binding nomination.

Westpac financial planner Mark Malone says this should be considered when someone wants super to be paid to a particular person.

"It may be best used when the member is concerned that someone may challenge the trustee's discretion or that the trustee of the fund may not follow their nomination," he says.

STRATEGIES

Financial advisers and estate planning specialists can help with strategies that can maximise the amount you leave to loved ones.

On the superannuation front, a retribution strategy can reduce the lump-sum tax on death benefits paid to non-dependents such as adult children, Simmons says.

"Basically, you take funds out of

the fund and retribute them as a non-deductible contribution to maximise the tax-free component of the fund," he says.

Westpac's Malone says another strategy to avoid problems can be to include an equalisation clause in your will.

"This ensures that, no matter how much money is paid to the beneficiaries out of non-estate assets such as super, the executor is required to take the distribution of non-estate assets into consideration when dividing the estate assets as per the deceased's wishes," he says.

Malone says people can protect assets for a spouse who gets remarried by using a testamentary trust to ensure assets pass to the children when the spouse dies.

Children can be protected from blowing inheritance at a young age by having an executor manage it until they are older, he says.



Thinking ahead

MARIA Wyman is determined not to leave her family in the lurch when her time is up.

A cancer survivor, she has dealt with estate planning issues and says grieving families have enough to worry about and don't need to be tying up loose ends.

"When you pass on, it's difficult emotionally for the family," she says.

The mother of two and grandmother of six, including Charlotte and Annabel (pictured), says having a trusted adviser is vital.