



Autumn 2012



## New Financial Year

– Time to Review Your Insurance Cover

*The beginning of a new financial year provides an opportunity for you to contact your Sentry financial services adviser to review your investment strategy or superannuation contributions. But have you considered if you have enough insurance?*

Inside

### Are you ready for retirement?



**Checking if you have enough insurance, can be as simple as considering if you have had any major changes to your lifestyle.**

Some insurance companies permit limited increases in insurance, without underwriting, if you have increased your mortgage, had a new child, or received an increase in salary.

Other insurance companies may permit an increase, without underwriting, provided the higher amount of insurance doesn't exceed certain thresholds. For example an increase from \$600,000 to \$700,000 may be possible, because the amount remains under the same 'insurance band'.

Perhaps the new financial year is time to consider if your insurance cover is sufficient.

#### **Total and Permanent Disablement (TPD):**

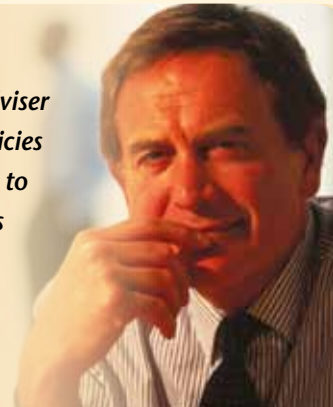
The Government has finalised the rules relating to the deductibility of TPD insurance inside super. Taking into accounts these new rules and potential issues with conditions of release, perhaps it is time to re-consider if TPD should be held outside of super?

#### **Trauma:**

Some people may decline to take out trauma insurance, believing that it is not necessary or too costly. Australia's ageing population means that we are seeing more cases of heart disease and cancer. As you get older, perhaps it is time to have another discussion about the benefits of trauma insurance?

Take the time over the over the next few months to consider if you have enough insurance. Changes to your personal situation may permit increases in current policies.

*Discuss with your Sentry adviser the structure of existing policies and if they still appropriate to address all needs, objectives and financial aspirations.*



## The Importance of Estate Planning

by David Glen,  
Tax Counsel TAL

*Estate planning is essentially the planning and documentation of the wishes of a person for the distribution of all the assets under the control of that person following their death or if they lose legal capacity.*

**An estate can comprise of:**

- Real property
- Shares
- Loans
- Income or capital allocated by the will maker; and/or
- Cash investments.

estate. In addition, family trust assets in family companies do not form part of an estate.

- Life Insurance proceeds (except when the deceased is the policy owner and no beneficiaries are nominated).

It is important to differentiate between estate and non-estate assets as only the distribution of estate assets can be directed by a will upon death.

### The Will

A will is the last legal direction that a person can give, effectively following his/her death. For most people the will is the most important part of estate planning. The person that the will is being prepared for is called the testator (male) or testatrix (female).

**Assets that do not form part of the estate include:**

- Jointly owned assets that are held as joint tenants eg family home (If the owners are tenants in common, the rights to a portion can then become part of the estate)
- Superannuation generally is not an asset of the





## The Importance of Estate Planning (continued)

*For a will to be valid in the eyes of the law it generally needs to be:*

- In writing
- Signed by the will maker
- Two witnesses must witness the signature of the will maker (both of whom must be present at the time the will maker signs and each witness must sign in the presence of the will maker); and
- Made by a person who has Testamentary capacity unless consent has been given by the Supreme Court.

It is important that a witness is not a beneficiary or a spouse of a beneficiary named in the will.

If these requirements are not met it is possible that the will may be viewed as invalid, but it is up to the discretion of the Court. The law pertaining to the writing of a will is legislated at state level.

*The maker of the will should not consider issues related to the circumstances of the beneficiaries such as:*

- Taxation consequences
- Ability to manage fund;
- Potential family law problems; and
- Avoiding potential challenge of the will.

Having a will constructed does not have to cost a lot of money. You should arrange to see your solicitor as soon as possible to discuss your requirements.

*You should also give a bit of thought to who you wish to nominate as the executor of your estate. As the job can be complex and is quite onerous the executor should be:*

- honest;
- likely to out-live you and be alive when the youngest beneficiary will become entitled to possession of the assets; and
- able to fulfil the duties of the job.

The maker of the will must also be aware that some circumstances, such as marriage or termination of marriage, may have the effect of revoking or altering the will.

It is necessary to revise the terms of your will on a regular basis, and to make a new will if circumstances change for your estate to be distributed according to your wishes.



### Testamentary capacity

*The maker of the will must:*

- Be of sound mind at the time of making the will; and
- Be 18 years of age or older; and
- Have a reasonable grasp of the extent of their assets; and
- Comprehend the claims of the named beneficiaries and the claims of those whom he/she is excluding.

If these tests are satisfied, it is said the maker of the will has testamentary capacity.

One of the most important decisions the maker of the will has to decide is who to appoint as an executor of their estate.

It is the responsibility of the executor(s) to ensure that the requests are carried out as the maker of the will had instructed.

*The executor can be held personally liable for any negligence or omitted acts. Some of the responsibilities of the executor include:*

- Funeral arrangements
- Seeking probate
- Collecting the estate
- Paying debts in the proper order
- Distributing the estate according to the wishes of the deceased; and
- Preparing tax returns.

It is usual practice for the main beneficiary to be appointed executor of the estate.

Other common executors are solicitors, accountants and public trustees. These parties will normally be paid by the estate for their service.

### Probate

Probate is the terminology used when the estate assets are passed over to the executors. This is done through the Court in each state.

The executors have to swear or attest to faithfully administer and to complete proper application of the estate. Often the estate can be tied up until the grant of probate is obtained.

No one has the power to deal with the assets of the estate until probate has been obtained.

### Dying without a will

When a person has died without a will or with an invalid will, they are said to have died "intestate".

The rules of law in each state preside over the way the estate is administered and to whom the assets are passed on.

The Court grants letters of administration to the person who would benefit greatest according to the law.

The Letters of Administration give that person the same entitlements as probate.



## Are you ready for retirement?

*Do you and your partner agree on what kind of life you want after work? Here are ten questions you should ask each other when planning your retirement dreams.*



### When meeting a financial planner for the first time, you will be asked a series of questions to find out what your retirement goals and dreams are.

What is surprising is how little the couples, who will be spending this time together, have asked each other the same questions.

US research by Fidelity Investments interviewed 648 married couples born between 1937 and 1964 and their survey showed that 62 per cent of pre-retirees didn't agree on their respective retirement age and 34 per cent had different expectations about their lifestyle in retirement.

### Taking control

In Australia, research done by Core Data showed that one in three pre-retirees (32.1 per cent) did not believe they would be able to choose their retirement date and will have to work as long as possible.

Two-thirds of pre-retirees felt overwhelmed by their super and retirement finances while more than half of post-retirees (58.3 per cent) were not. It shows how a little knowledge can go a long way.

The first step towards taking control of your retirement is to turn to the person next to you and discuss what you'd like to do after your working life wraps up.

Not only will it save time (and a few disagreements), but it could be the first step to creating a better future.

### Essential questions

#### 1. When do you want to retire?

While 22.6 per cent of pre-retirees had already set a date, 45.3 per cent felt they could but hadn't as yet.

With the change in superannuation conditions, you can semi-retire early, but with the global financial crisis many have deferred this.

It doesn't matter if the date moves, as long as you are aware of the financial impacts it has.

#### 2. Do you want to work in retirement?

More than half of the Australian pre-retirees (52 per cent) plan to keep working part-time after they retire. In the American research, nearly half (47 per cent) couldn't agree on this.

The allocation of assets varies greatly across Australian states and territories because individual states and territories have jurisdiction over laws of inheritance.

### Powers of attorney

In addition to ensuring that your affairs are in place in the event of death, it is also important that you consider planning for someone to look after your affairs if you are unable to.

Powers of attorney protect the living. They are legal documents that allow you to appoint a person (e.g. an agent) to act on your behalf.

*The power may be as broad or specific as you wish and these documents generally take two forms:*

- General Power of Attorney
- Enduring Power of Attorney

A general power of attorney allows an agent to act on your behalf but ceases if you lose legal capacity.

In contrast, an enduring power of attorney allows you to appoint someone to take care of your affairs when you are unable to do so yourself.

*Some tasks that the agent may perform include:*

- paying your bills
- managing your investment portfolio
- deciding about your daily care

For this reason it is very important to choose an agent wisely (if you choose to do so at all) as if you lose mental capacity and have an enduring power of attorney you cannot revoke it.

*Attributes that you should look for in your agent include:*

- someone you can trust;
- who understands your wishes ; and
- who is competent and has time to fulfil their duties.

*What is the alternative?*

If you do not have an enduring power of attorney and you lose mental capacity, the State will appoint someone to manage your day to affairs. The person appointed may not be favourable to you.

*So while time is still on your side – act now and ensure that your financial affairs are in order. A meeting with your Sentry financial adviser to discuss your estate planning needs is a good starting point.*



## Are you ready for retirement? (continued)

If the considerations are financial, you should both consider who has the greater earning potential, job flexibility and package benefits.

### 3. *What type of lifestyle do you want in retirement?*

Australian pre-retirees believed they would need \$52,104 a year in retirement, and 39.1 per cent felt they were unlikely to have enough to maintain their lifestyle in retirement.

Some of this can be averted through better planning and understanding what your expectations are and how much you will need to reach them.

Your Sentry financial planner will be able to help you determine when you should draw from your super, allocated pension or other income sources to help maximise your pension and minimise any tax implications.

### 4. *Where do you want to live?*

Have you thought about the benefits of downsizing, moving to a quieter place or buying a holiday home?

Or perhaps you prefer to stay where you are and take 'at home' breaks?

Couples will have to agree on their ideal living and holiday destinations before picking how and where they want to spend their time and what the cost implications are.

### 5. *Do you know where all your important documents are?*

It's important to put together the documents for all the assets you hold, from bank accounts, superannuation statements to life insurance plans and any shares.

It's also essential to get a good hold on your financial picture, as taking control is an important first step to overcome that feeling of being overwhelmed.

### 6. *How healthy does your retirement look?*

The Australian research showed that one in five people were still unsure as to whether they would have enough in retirement.

According to the Treasury, the average super payout in 2010 was \$84,000 so it's obvious many will not have enough super to retire comfortably on.

It's important to get a realistic picture of how healthy your life after work is looking and whether they need another check-up.

You need to talk a specialist, such as a Sentry financial planner.

### 7. *How healthy are you?*

Even if you've been hanging out for it, retirement can actually be a big physical and mental adjustment after a lifetime of a work and routine.

Looking after your health should be a real priority, as health issues can have as big impact on your finances.

Review your health insurance to ensure it covers your health needs.

### 8. *Have you worked out your beneficiaries?*

It may sound too early to talk about who will inherit your assets, however estate planning is an important way to help you understand where you stand financially.

Appointing an executor and beneficiaries means getting the paperwork out of the way early.

### 9. *Do you know what you will be entitled to from the pension?*

Fortunately over three-quarters of Australian respondents were aware of their eligibility for the government funded pension.



*Your Sentry financial planner can help maximise your pension entitlement and eligibility for a senior's health care card, which will save you a great deal of money.*

For further information contact your Sentry Financial Adviser

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