



# INTERGENERATIONAL WEALTH TRANSFER

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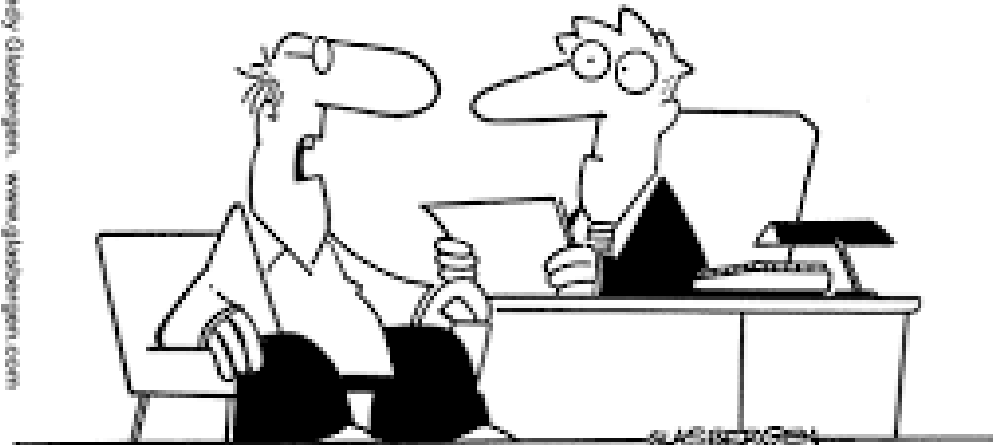


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# RETIREMENT.....

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## FINANCIAL SERVICES



**"You told me I invested enough money to enjoy a comfortable retirement. But my back aches, my knees hurt, I have leg cramps...YOU CALL THAT COMFORTABLE???"**

# WHAT ?



- The **efficient transfer** of your assets/wealth to your family/chosen heirs in the event of death
- **Strategies** will vary greatly from family to family
- **How much** is enough?; Finding the **balance** between family and supporting charity

# WHY ARE WEALTH TRANSFERS UNSUCCESSFUL?

- **Communication** break down
- **Failure to prepare** heirs
- Lack of an **agreed-upon mission** for the family wealth
- Must be **proactive now** and NOT wait until death
- Implement a **process** to promote family values
- **Family structures** have become complicated – trend to include successive generations
- **Family Businesses** – complexities. Build an enduring family legacy.

## WHY ARE WEALTH TRANSFERS UNSUCCESSFUL?

- **Emigration** BUT family assets are in SA
- **Estate planning** not considered
- **Issues around Will**, or the absence of a will
- **Specialised Structuring** may be required – E.g. Trusts, protection of assets
- **Living will** – illness, mental incapacity



# HOW TO PROMOTE FAMILY VALUES AND PROVIDE A GOOD BASE FOR INTERGENERATIONAL WEALTH TRANSFER

- Define your family history and values
- Timing. Involve family in wealth planning
- Share the message – how much is enough
- Have a transfer strategy
- On-going. Intergenerational Wealth planning is a process, not an event

***“Most people don’t plan to fail, they fail to plan”***  
***John L. Beckley***

**“The entirety of adult life is a series of personal choices, decisions. If we can accept this totally, we become free people. If we don’t accept it, we will forever feel victims.”**



**‘The Road  
Less  
Travelled’,  
*M Scott Peck***

# ESTATE PLAN CONSIDERATIONS

## What is an estate plan?

- Not just to avoid paying estate duty!
- Provides the framework to the transfer of rights
- Structuring your assets (includes property)
- Ensuring that the estate can be finalised quickly and easily – avoiding time delay for beneficiaries
- Ensuring that the assets may be transferred, free from liabilities – E.g. properties
- Liquidity is a key consideration of effective estate planning
- Being able to **give effect to the will** is key



# THE ESTATE DUTY CALCULATION

- Determine the value of the estate at death
- Determine the amounts to be included as deemed property

**= Gross value of the estate**

**LESS** Determine the deductions in terms of S4 (Estate duty Act)

- funeral costs (S4a)
- Liabilities (S4b)
- Admin costs (S4c)
- Expenditure in relation to Estate Duty (S4d)
- Foreign property (S4e)
- Debts due outside SA (S4f)
- Limited interest reverting to a donor (S4g) e.g. usufruct
- Bequests to a public benefit organisation (S4h)
- Improvements to property (S4i) by beneficiary
- Interest in property improved by usufructory (S4j)
- Claims in terms of the Matrimonial Property Act (S4ia)
- Limited interest created by a predeceased spouse (S4m)
- The valuation of unlisted shares (S4p)
- Amounts payable to a surviving spouse (S4q)

RXXXX

RXXXX

RXXXX

RXXXX

# THE ESTATE DUTY CALCULATION - CONTINUED

= Net value of the estate

Less The S4A Abatement

= Dutiable estate @ 20% estate duty

RXXXX

R 3.5 m

RXXXX

## ■ Note:

Insuring there is sufficient liquid assets available to settle the required amounts payable in terms of the estate duty calculation is a vital component of a successful transfer of assets from one generation to another



# WHAT ARE THE BASICS OF A WILL

- A written document
- Signed by 2 competent witnesses (not beneficiaries)
- Signed by the testator/testatrix
- In each others presence
- Dated
- Clearly identified Testator/Testatrix (ID number)
- Clearly defined beneficiaries (who gets what)
- Clearly defined assets to be distributed
- Nominated executor
- Agreed fees and security if required
- Don't rule from the grave - should be realistic



# NO VALID WILL – INTESTATE SUCCESSION WILL APPLY

- Intestate Succession Act sets out the rules
- To contest intestate succession, litigation is required
- Master of the High Court will appoint an executor
- Full fees are payable to the appointed executor (3.5% and 6%)
- Assets are sold and distributed
- Process is long and drawn out – emotional trauma for the family



# INHERITANCE OR PROBLEM

- The **DO's and DON'TS** of a successful succession plan:
  - **DO** keep it simple – consult a professional for advice
  - **DO NOT** rule from the grave – unrealistic requirements before transfer it to take place e.g. Jan must divorce Anne or when Sarah passes her masters degree
  - Preferably **DO NOT** leave undividable assets to more than one beneficiary e.g. Jewellery, car, farm
  - **AVOID** Illegal requirements....
  - **DO NOT** over complicate the beneficiary nominations

# TRUST CREATION AND CONSIDERATIONS

**Will Trust** (Testamentary) OR **Inter Vivos** (Discretionary) Trust

- Advantages:

- Extremely flexible
- Efficient taxation - Assets owned by trust not subject to estate duty, capital gains tax and executors fees
- Protection of Assets
- Creation of flexible succession arrangements
- Controlled distributions for beneficiaries

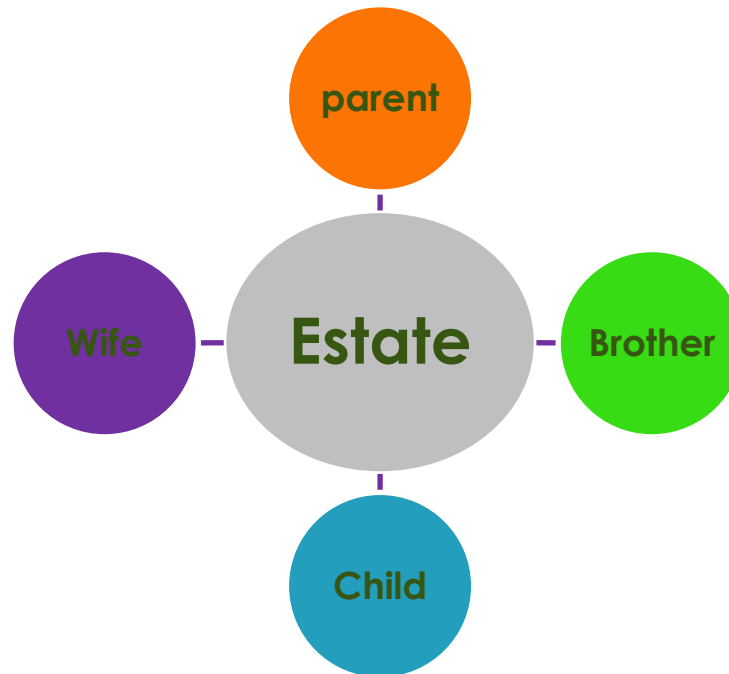
- Disadvantages:

- Costs – on going administration and complexity
- Transfer of assets – could incur taxes and costs
- Higher tax rates apply
- Risk of the trust being regarded as a sham, lose asset protection
- Must have expert and independent advice



# STRUCTURING YOUR ESTATE AND ASSETS

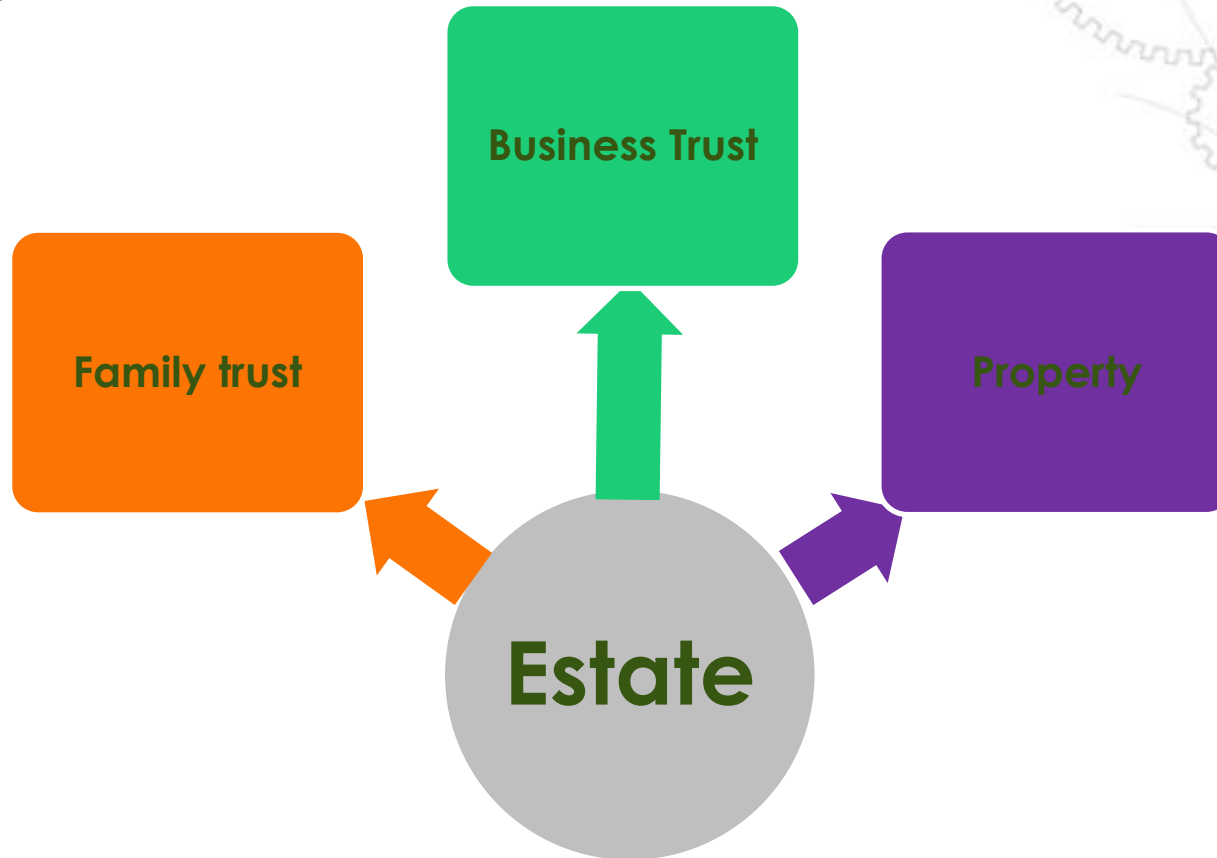
- Scenario 1: Pre death transfer through donations prior to death



- Notes:
  - Donations tax, Transfer Duty
  - Not a generational solution
  - Purpose can be lost

# STRUCTURING YOUR ESTATE AND ASSETS

- Scenario 2: divesting your assets prior to death to a trust or other perpetual structure





# CONCLUSION

Useful points:

1. Plan for death with an estate plan
2. Worry about liquidity first and amount estate duty last
3. Make sure you have a valid will
4. **Keep It Simple Silly** – leave a legacy not a nightmare
5. Let regulations be the problem of beneficiaries not executors
6. **Get help from a Professional Financial planner, Family Advisor and/or Fiduciary Specialist**



**QUESTIONS?**



# THANK YOU

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