

PERSONAL SUCCESSION PLANNING FOR BLENDED AND STEP FAMILIES

You would have heard the saying: “where there’s a will, there’s a way”.

This statement is usually used to encourage people who are losing enthusiasm for a task or goal.

But it also reflects the way many people feel about personal succession planning. They think that so long as you have a Will, your wealth will be passed correctly to your family and your loved ones will be taken care of.

But this is not necessarily the case. Personal succession planning is much more than just having a Will, especially for blended families and families with step children.

Did you know that in 2012/2013, in Australia, step and blended families accounted for approximately 6% of all families¹ with children under 18. The days where mum, dad and 2-3 blood children made up the average Australian family are a thing of the past.

Often people in blended families - with their second or third spouse - want to ensure their children of an earlier marriage are provided for or ensure a former spouse cannot access their Estate.

Here are a few important questions that you may relate to if you had a former relationship, have a blended family or live with step children:

- Have you had a legally binding property settlement following the breakdown of former relationship/s?
- Have you removed your former spouse as a joint owner where assets were purchased in joint names previously?
- Do you have any financial responsibilities from any former relationships?
- Have you updated all beneficiary nominations on investments and policies which name your former spouse as the beneficiary?
- Do you have vulnerable beneficiaries (such as beneficiaries dealing with separation/divorce, beneficiaries facing an addiction or with special needs)?
- In the event of your death, would you like to provide for your children from a previous and/or current relationship or provide for stepchildren?
- Is there anyone who may have a claim on your estate, who you do not wish to benefit from your death (such as an ex-spouse or a vulnerable beneficiary)?
- Would you like your estate assets to be held in trust for your children and be distributed to them at a certain age?
- Are there any assets you wish to retain within the family bloodline?

Without an appropriate succession plan, you may not have certainty that the right assets will go to the right people at the right time in the most tax effective way.

Do I need a personal succession plan?

Personal succession planning is something all parents should consider and address. By doing so you’ll ensure loved ones have access to appropriate financial assistance, educational opportunities, and anything else they might need to ensure their quality of life continues when you’re no longer around.

At a minimum, every parent should have:

- a current Will to distribute estate assets
- guardianship arrangements for young children and teenagers
- an Enduring Power of Attorney to cover situations where they’re unable to make financial decisions themselves, and
- appropriate estate planning arrangements to distribute specific assets that are not covered by the Will (such as superannuation benefits, life insurance proceeds, assets held in family trust/s).

What are the benefits of personal succession planning when you have a blended/step family?

Personal succession planning can:

- provide certainty that your children from a previous and/or current marriage and/or your step children are taken care of

- provide certainty by getting the right assets in the hands of the right people, at the right time
- enable you to provide for your loved ones while minimising tax payable by your nominated beneficiaries.

What are the consequences of NOT having a personal succession plan?

Personal succession is something you should address now. **Don't wait until it's too late.**

If you have previously nominated your ex-spouse to be the executor and beneficiary of your Estate and/or the beneficiary of your superannuation or life insurance and if you die without updating your nomination, the proceeds from these policies may be distributed to your ex-spouse which may not reflect your wishes.

If you die without a valid Will, intestacy legislation will determine how your estate assets are distributed to your surviving family members.

And, if you're badly injured in an accident or lose mental capacity, who will manage your affairs while you're still alive but unable to make your own decisions?

How can we help you?

AustAsia Group provides advice on tax, legal matters, financial matters, superannuation and investments. So we are able to assist you to:

- **Ensure you're making the right ownership decisions when acquiring new assets or re-structuring your existing assets.** For example, your financial adviser can help you determine whether it's best to invest in your name, your partner's name, or jointly with your partner. We may consider your situation to investigate further tax and legal advice to consider another arrangement such as a trust or company.
- **Determine if you have sufficient means to achieve your estate planning objectives.** Additional life insurance inside or outside of superannuation may be necessary to provide your family and loved ones with a lump sum payment or an income stream to repay debts, meet ongoing living expenses and cover your children's future education costs when you're no longer around.
- **Make a provision in your Will to allow for the establishment of testamentary trust/s for minor children.** The establishment of testamentary trust in a Will can provide flexibility and can enable distribution of estate assets in a tax-effective way to beneficiaries including children from previous marriages, young children and teenagers. A reliable Trustee of your choice will ensure that distributions are made to such beneficiaries with their welfare in mind.
- **Make a provision in your Will to allow for establishment of testamentary trust/s for adult children.** The establishment of testamentary trusts in a Will can provide asset protection in the event of a relationship breakdown and/or bankruptcy.
- **Develop a range of strategies to provide certainty, tax efficiency and/or asset protection.** For example, your financial adviser can explain superannuation death benefit and life insurance beneficiary nomination options. By making appropriate nominations now, your beneficiaries will be able to effectively and efficiently receive the death benefit when you're no longer around.

AustAsia Group is able to assist you with all of your estate planning and succession planning requirements.

¹ Australian Bureau of Statistics, Family Characteristics and Transitions 2012-2013, Families with children aged 0-17. Release date 26 February 2015.

Important information and disclaimer

This publication has been prepared by AustAsia Financial Planning Pty Ltd AFSL 229454 and AustAsia Finance Brokers Pty Ltd ACL 385068.

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How can AustAsia Group help you?



AustAsia Group
Financial, Investment & Property Solutions

Level 1, AustAsia House, 412 - 414 Newcastle Street, West Perth WA 6005

PO Box 332, Leederville WA 6903

T: (08) 9227 6300 **F:** (08) 9227 6400 **E:** clientservices@austasiagroup.com

www.austasiagroup.com



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