Plan for the worst

Theo Marinis explains the importance of financially planning for your demise and why the best course of action is to 'plan for the worst, and hope for the best'.

One of my best friends died at the end of June 2020. Aged just 57, Kevin fell off a ladder at home. It has made me reflect deeply, not just on the fragility of life, but on the financial responsibility we have to plan for our own demise.

Now don't think harshly of Kevin. He was a tradie, and ladders were part of his world. Had it been me, you could reasonably shake your head and say, "no man over 50 should even think about climbing a ladder."

Financially, Kevin leaves behind a healthy property portfolio, but little in the way of super or life insurance – in total about $350,000. Fortunately, his widow works, and over time I will be able to help her liquidate the properties, be debt-free and direct reasonable funds into her super so she will have dignity in her retirement.

At age 11, I lost my mother (and aunt) in a car crash in which my sister and I were also badly injured. My friends say that I also lost my dad that day; he worked two jobs to feed us, pay the bills, and maybe, found time to grieve – in his own way.

What did these experiences teach me? Clearly, the value of love, but also the responsibility to expect my own demise and to plan for it – while at the same time, to understand the importance of being able to enjoy the remaining (unknown) time we have.

There is no magic insight here. The basics are obvious, yet around 50 per cent of people die intestate.

The beauty of getting a Will is the ability it has to reduce arguments. There is an old saying – "if you ever wondered how awful your family is, just share an estate with them." Any lawyer will write a competent Will in straightforward circumstances, but seek a specialist where there are divorced, disabled (or dishonest) people involved.

My advice – pick up the phone and do it RIGHT now.

Life insurance is about as boring a topic as you can imagine – unless it is needed. A professional can help you work out a reasonable amount of insurance to protect you and your family.

A variety of circumstances are taken into account, such as age, level of debt, children, and what it will cost to maintain your family's current lifestyle for an appropriate number of years. Your super will usually have an insurance component. Most people, like Kevin, leave it at the minimum. That is rarely enough.

Attached to your super you also have the opportunity to make a binding nomination in respect of who should receive the benefits in the event of your death. Think deeply about it, and avoid the potential for someone from your past (possibly alleging an ongoing relationship) staking a claim for a slice of the financial pie.

Think about emotional 'milestones'. For years, I held on to a small commercial property investment I had inherited from my mother's estate, just because it represented for me, a physical connection with her. It took me until my early 40s to liquidate the property and invest the proceeds in the share market via my super, dramatically increasing my family's wealth (while the Adelaide property market meandered along). It was something I should have done far earlier.

Think too, about each of the beneficiaries of your estate and their strengths and weaknesses. As I have said many times, I have an enthusiasm for directing the first $300,000 of an inheritance to superannuation. That way the benefit is rarely wasted, and you have just established a strong foundation from which to build retirement savings for the next generation.

Next, direct that benefits be paid into mortgages or to paying for education. In my observation, money which comes easily, tends to go easily.

What about the ‘ne’er do well’, dishonest brother who still owes you the $20k he borrowed in 1998? Should you just ignore him in your Will to demonstrate that there is no love lost? Instead, consider leaving him $1,000, formally write off or “forgive” the debt (which was never going to be repaid) and give him your childhood photo albums. That way, if the Will is challenged, the court will see that you have made a provision for him and demonstrated your care by including the heirloom pictures. Ignoring someone completely from a Will leaves the court more open to a decision that it was an oversight.

Then there are some more immediate issues to think about. Does someone in whom you have absolute trust know your passwords, and how your affairs are structured?

In my case, I have confided these details with a close family member, and I have walked with her through the nuances of our financial strategies. At the direction of my board of advice, I have given detailed written instructions to the financial controller in my practice about how my affairs should be managed, and have asked my family member to make contact immediately, in the event that I am no longer able to work.

I have also shown these two ladies how to make sure all wages and expenses are paid, so that in the event of my demise, the value of my business would not be significantly harmed, and my family would be able to continue financially unaffected.

Naturally, the wellbeing of my staff and clients are also part of my business succession and estate planning, as with all of those people that rely on my guidance and leadership. Looking out for my community of family, staff and clients (all of the important people in my life) is my mission.

Who are the vital people who rely on you, in your life? Make sure you look after them as best as you can, not just now, but once you are gone, too!

It is not morbid or perverse to plan for a future without you in it, it is realistic and mature. By facing this 'fear' you also diminish its 'hold' on you. You also make grief much easier for people who really feel it, not the self-aggrandising loud weepers at your funeral who are along for the ride.

My advice? Always plan for the worst, and hope for the best.

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