

Fiduciary Matters

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Estate planning in a changing society

Estate planning

Although the basics of estate planning have stood the test of time, the conventional approach needs to be broadened to include the needs within a rapidly changing society. Individuals are increasingly embracing technology and are rapidly becoming citizens of the digital information world.

They are also living much longer than before, compelling them, in many instances, to care for both adult children and ageing parents. Many are also finding solace and companionship in pet ownership. These changes within our society are becoming important aspects that should be considered and discussed during the estate planning process:

Digital information

Recent surveys show that technology is becoming an indispensable part of the lives of ever more individuals over the age of 50.

Online share trading, internet banking, social networking, personal blogs or websites, internet businesses, virtual money and digital passwords are now seen as part of everyday life by these individuals.

The significant transition from paper to paperless records and the digital recording of special events and memories are affecting the access and safekeeping of important documents and treasured moments.

These and many other intangibles can now probably be seen as the individual's digital assets.

In the case of death or incapacity of the individual, the knowledge of or access to online records, bank accounts, online investments, internet business interests and various other digital assets/records could become a major problem for affected parties. Careful consideration should therefore be taken of an individual's digital assets and persona during the estate planning process.

Adult children

Trends indicate that many children tend to leave the security of the family home at a much later stage than in the past and that numerous return to this refuge after having unsuccessfully ventured out onto their own. Some of the reasons are the duration of preparing adequately for a career, the high cost of living, people getting married later than in the past and the high divorce rate amongst newlyweds. Many middle-aged parents are finding themselves in this situation. This places an enormous burden on family resources and puts family relationships under tremendous strain. Parents finding themselves in this situation need to look carefully at their financial situation, the possible impact on their own lifestyles, the effect this would have in case of the death or disability of the breadwinner and the impact

on their retirement.

In order to find workable solutions in such a situation, the whole family should be involved in the estate planning process and a lot of wisdom on the part of the financial planner will be required.

Ageing parents

As the older segment of our population is expanding fairly rapidly and current retirement savings are generally found lacking, many middle-aged individuals are becoming caregivers to ageing parents.

However, the potential extent of an individual's financial responsibility towards an ageing parent is very often underestimated.

Individuals finding themselves in such a situation should seriously consider making provision for the ageing parent in their estate plan. It may be appropriate to consider the ageing parent as a potential beneficiary alongside the traditional options of spouse, children and grandchildren. The support of the individual's spouse and children regarding this matter is also essential to the estate planning process and the successful implementation of a sustainable solution.

Pet ownership

As individual life expectancies increase, pet ownership is likely

to gain in importance. Various studies have indicated that pets are good for one's health and emotional wellbeing. The unconditional love of a pet alleviates depression and combats loneliness, particularly in the life of an ageing owner.

Many people feel that a pet plays an important role in their lives and believe that it is important to make some arrangement for the ongoing care of their pet.

When thinking of how to provide for a pet after the owner's death, an option is to consider leaving a reasonable cash legacy to a likeminded and consenting caregiver who will willingly use the funds to care for the pet. Making this provision to offset the rising costs in pet care can help minimise the risk of the pet being given up to an animal shelter or being abandoned.

The future

Financial planning is dynamic and so is the society in which we as financial planners find ourselves. Adjusting to the changing financial needs of our clients is vital, but so is being sensitive to social changes within society.

This article was written by FISA member Leon Coetzee, FPSA (Fiduciary Practitioner of South Africa designation) and is Director: Cresta Trust Services (Pty) Ltd. A list of FISA-registered practitioners is available from secretariat@fidsa.org.za. Visit our website at www.fidsa.org.za

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