

# YOU LIFESTYLE

## YOUR MONEY SORTED



# LEAVE CASH IN YOUR ESTATE

By LETITIA WATSON

Send suggestions for topics and requests for info to [yourmoney@you.co.za](mailto:yourmoney@you.co.za). We may answer your questions in this column but won't reply personally.

If you don't have enough money when you die your loved ones could inherit undue hardship

## MAKE PROVISION FOR CASH RESERVES TO COVER YOUR ESTATE'S LIABILITIES

### WHY IT'S IMPORTANT

Your estate consists of your assets such as property and investments. There are also expenses (liabilities), for example administration costs and tax. Before your heirs can receive any money, the executor has to confirm there's enough cash to cover your expenses. There are basically two kinds of estates with cash deficits: the one has assets but not enough cash to pay the liabilities while the other has insufficient assets or cash to cover the liabilities.

### IN THE RED – WHAT NEXT?

If the estate's assets don't cover the liabilities, the heirs can pay cash into it to ensure the assets are retained and not sold. Alternatively the executor and heirs can decide which assets, such as shares or property, to sell to raise cash to cover debts and administration costs.

If the heirs don't have enough cash or can't decide what to sell, the executor, with the consent of the master of the high court, decides which assets to sell.

## POSSIBLE SOLUTIONS

### POLICIES AND PROPERTY

In the event of a cash deficit, provision can be made to have the proceeds of a life policy paid to the estate, says Glacier by Sanlam fiduciary specialist Tiny Carroll. The policy cover could at the end be more than the premiums paid.

The will can also stipulate that property be sold to cover liabilities. The sale is subject to capital gains tax (CGT) and market conditions so it may take longer to wind up the estate.

### SAVINGS ACCOUNT AND INVESTMENTS

Cash in a savings account: this could work – provided it's enough. It's paid to your estate and not your heirs. But remember, because of the low interest savings accounts attract, this isn't an investment that delivers strong growth.

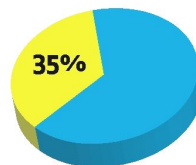
Investments in for instance unit trusts or shares can also be used. They must first be sold, Carroll says. The returns are subject to market conditions and in some instances may be subject to CGT.

## FIVE QUESTIONS ABOUT ESTATES

- 1 What are the costs?** They include estate duty, administration costs, executor's fees and outstanding debts such as a mortgage bond, car loan or credit card balance.
- 2 How much may the executor charge?** 3,5 per cent of the gross estate assets at death and six per cent of the gross income on estate assets afterwards until the estate is wound up. VAT may be charged if the administrator is VAT-registered.
- 3 How much is paid in estate duty?** All assets are subject to estate duty at the current rate of 20 per cent on the taxable amount after deductions and abatement. A R3,5-million abatement is exempt from estate duty.
- 4 When is an estate insolvent?** When the value of debt and liabilities exceeds the total value of the estate's assets, it's insolvent. The executor is then obliged to sell all the assets and divide the proceeds among the creditors.
- 5 How long does it take to wind up an estate?** It often takes longer than a year, fiduciary specialist Tiny Carroll says, so it's vital to have cash on hand to maintain loved ones. The time it takes to sell assets to raise cash may compound their misery.

## 35% OF LIFE AND DEATH AND DISABILITY COVER IS USED TO SAVE

Research conducted for the latest Old Mutual Savings & Investment Monitor shows 35 per cent of respondents use life insurance and death and disability cover as vehicles for saving. Only 24 per cent of young people choose this option.



### TIP!

Ask an estates expert to help you to plan so you have enough cash in your estate.

### GET MORE HELP HERE

- For information on estate experts and the Consumer Council go to the Fiduciary Institute of Southern Africa's website at [fidsa.org.za](http://fidsa.org.za).
- For information on wills and estates go to the master of the high court's website [www.justice.gov.za](http://www.justice.gov.za).

*'In this world nothing can be said to be certain, except death and taxes'*

AMERICAN STATESMAN BENJAMIN FRANKLIN