



Classic FM Business with John Fraser, 27/11/2008

“WILLS AND TRUSTS,”

with Philip Shapiro, Director NFB Financial Services Group

JOHN FRASER: It's not something we like to think of but it's something we really should think of. We are all going to depart this planet at stage and head off, who knows where - what we leave behind is very important for our dependents. To discuss the issue of wills and trusts and all sorts of other things that we prefer not to think about, I am joined by the financial director of FNB Financial Services, Phillip Shapiro. Does the fear of death or the fear of thinking about death prevent otherwise sensible people from not doing sensible planning for when they leave us?

PHILIP SHAPIRO: It seems to be an issue that people tend to put aside. They don't really focus on this issue and it is a rather important issue.

JOHN FRASER: What are the consequences if something happens to you and you haven't done a proper will, you haven't properly planned - how much trouble could your dependents get into in trying to access what you leave behind.

PHILIP SHAPIRO: They might not get into trouble as such, but it could cause complications. One of the main issues about not leaving a will is that you do not choose your executor, so you've no choice in who you choose to administer your estate. The second issue is that you could possibly die intestate. What that means is that your assets would devolve according to the laws of intestate succession and essentially it may devolve not according to the way that you want it to go.

JOHN FRASER: Might it be the case the State would grab more than you would wish them to?

PHILIP SHAPIRO: No the state wouldn't grab more, but if you are married, you've got a surviving spouse and a few children, then each one of them would get a share of the estate. You may have wished it to go to the wife, but that won't happen.

JOHN FRASER: If somebody has high net wealth, if they're good at planning their pension and all those things, would it not necessarily be the case that they would also plan a will with the same amount of rigour or is there something that just gets left aside for far too long.

PHILIP SHAPIRO: I think it does - planning a will is an essential part of estate planning, and financial planning for that matter. So without a will - that's an important component that would be missing from a financial plan.

JOHN FRASER: If you've got a good financial planner, would they steer you in this direction, make sure you're covered on all sides?

PHILIP SHAPIRO: Yes they would - just a quick thought that I had about no will, is that if you die intestate and you've got minor children, that could also be quite a severe problem because the assets that accrue to them would possibly be paid into the Guardian's Fund - if there are cash assets - something along those lines.

JOHN FRASER: What's the Guardian's Fund?

PHILIP SHAPIRO: The Guardian's Fund is a fund run by the government and essentially any assets which would go to a minor child would be kept under their custody. For example, if there's no claim on an estate for 30 years or so, those proceeds also land up in a Guardian's Fund. It's a fund where you probably earn a nominal rate of interest - I think recently it has been changed to accrue on a monthly basis, or get paid out on a monthly basis. But it's very inflexible as such, you need permission, you've got to make application to get money out for the children.

JOHN FRASER: Of course we've talked about people who may be dying earlier than they might have wished or planned - there is another possibility - there's the possible danger of somebody living too long and not having properly planned for their retirement and not having a large enough nest egg to see them through those long years of economic inactivity in the sort of comfort and dignity that they might have hoped for.

PHILIP SHAPIRO: Yes, that's absolutely true - I don't think that would impact on whether you've got a will or not, that might just be affected by the way your financial planner has planned your retirement years.

JOHN FRASER: But it's certainly something you should look at - in terms of financial planning, you should look at your working life and then look at all sorts of scenarios ...

PHILIP SHAPIRO: Yes you've got to start at the beginning, you've got to project forward, you've got to look at the long-term, you've got to go through what they refer to as a life cycle and adapt your financial plan accordingly.

JOHN FRASER: Is it not a rash assumption to assume that as somebody is good at making money, they're also equally good at spending it and at planning all their future estate and all those issues - you're not necessarily the best guardian of your own finances even if you're a brilliant entrepreneur for instance.

PHILIP SHAPIRO: Absolutely not - there's a saying: "the cobbler's son doesn't look after his own shoes" and the same applies to financial planning. So a good idea would be to go to a firm of professionals, like ourselves, and get a proper plan drawn up, have a look at what your objectives are, and **really just plan for the short-term, the long-term, and the medium-term.**

JOHN FRASER: I think we can conclude that where there's a will, there's peace of mind.