

Most people love to plan; they plan holidays weeks in advance, weddings months in advance and most even have, at the very least, a very basic financial plan for their investments.

What many neglect doing, however, is making a comprehensive plan for their family assets, a plan to ensure consolidation, management, preservation, and smooth succession of their estate.

Mr. Iyer*, a 75 year old promoter of a well-known listed business doesn't have a basic will; he says he will get around to planning it soon.

In fact around 80% of all clients we meet have a similar story to tell. Without a Will or a Trust, succession can become a very long drawn process, and what is worrying is that many clients still tend to ignore these discussions to take care of more "pressing" matters.

Estate planning, very simply put, is a systematic plan for the family estate and all the different assets the family may own – company shareholding, real estate, financial investments, jewellery, etc. Succession can be taken care of by a will, or you may choose to make a Trust to take care of more comprehensive planning.

A Will may have many drawbacks which can delay the process of succession. It can get easily challenged and it may need to get probated. More importantly, it doesn't help in preserving assets, assisting young and dependant family members and planning for health problems in the future.

Long before death, before a will takes effect, people can put their assets into a Trust. They still have some control over the Trust assets during their lifetime and can help avoid problems that a Will may not be able to solve.

Laughing Heirs/Contestability of a Will

Challenges to Wills by relatives are so common that lawyers have a nickname for those people: "laughing heirs" — as in they will be laughing all the way to the bank if their challenge succeeds. Contesting a Will is an expensive, time-consuming and emotional affair. One way to avoid such a situation is to make a Trust during your lifetime, which will make such challenges tougher to hold up in court.

Protecting Descendants against themselves

One of the few things that keep ultra-high-net-worth individuals up late at night is the prospect of future generations squandering their wealth. You can ensure that the family wealth is protected, by making gifts at appropriate milestones to descendants through a trust. Outright gifts are ill-advised as they can be subject to claims of creditors, settlement with spouses in the event of divorce and mismanagement of assets directly by the descendant.

Multi-Generational Planning

Mr. Iyer*, an IT professional with a large estate and a small family, wanted to ensure that his children grow into capable stewards who treated the money as more of a responsibility than a windfall. His approach was to create a dynasty or a multi-generational trust that would provide for one generation of descendants throughout their entire lifetime and continue to provide for future descendants in the same manner until the trust is depleted or dissolved.

Ring-fencing assets

Trusts are a popular strategy for protection of assets and if structured correctly, can preserve assets against future liabilities and a possible reinstatement of estate taxes in India. They can help ensure that family requirements and needs are always taken care of, no matter what happens in the future.

Planning for your sunset years

Someone must manage affairs in case of an incapacity, when taking simple financial decisions or operating your financial accounts, is not so simple anymore. The trust agreement can also specify one or more procedures to be followed if the person becomes incapacitated. Decision-making, execution as well as meeting medical and maintenance needs can be best planned through a trust.

Affluent families worry about more than their money just lasting through their own lifetimes. Their financial planning needs revolve around wealth preservation and how to pass on their estate more efficiently. The responsible wealthy know that they will run out of time before they run out of money and plan accordingly.

**Names have been changed to protect confidentiality*