OCTOBER 2024

Goldsborough

Quarterly financial planning news and views

Wealth transfer with intention

In Reno, Nevada, 93-year-old Rupert Murdoch is in court, attempting to modify a trust to grant his son Lachlan control over his media empire. The Murdoch family tree is big and complex with his current wife, four ex-wives and six children to consider.

This real-life succession drama highlights two things. Families are inherently complex, and each one is different. Succession planning is important regardless of the level of wealth involved.

Many of our clients face uncertainties and challenges regarding wealth transfer and succession planning. Financial planners can play an active role in guiding and supporting effective wealth transitions.

So, if wealth transfer is inevitable, how do people decide whether this should occur now when we are in control, or later when we are not?

Picture this scenario: A retired couple, mid-seventies, successful and self-funded are contemplating a $1 million gift to help their 40-year-old son reduce debt and grow his business. They think they can comfortably afford it without changing their lifestyle.

The son is not asking for the funds and does not need the money in the traditional sense. He is hard working and financially responsible. With a young family and a large mortgage, the transfer would make a significant improvement to his family's long-term financial position.

The couple meet with their financial planner and ask: **"I think we can afford this, but should we?**"

Every case is unique, with its own context and nuances. The financial planner returns the question: **"Does this action align with your long-term goals?"**

A clear articulation of these goals can bring clarity to the decision-making process. For couples, this step is the key to ensuring both partners are on the same page.

The couple reach an agreement on expressing their goals:

Primary goal: Ensure a regular, reliable, and sustainable income that allows us to live comfortably, with a reasonable buffer for life's unforeseen major expenses.

Secondary goal: Support the ongoing success and development of our children and their families, helping them achieve their potential in a way that is fair and promotes family unity.

Once we understand what we're trying to achieve, we can work through the details of making a cash gift:

- Is it really affordable?
- What are the implications for future income?
- How are other family members impacted?
- What are the tax and social security implications?
- Is the recipient at risk of losing the money due to creditors or relationship issues?
- How can we document these arrangements in a way that protects the interests of all parties?

Financial planning is at its best when it addresses the complexities of families—not just the finances. ■

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Wealth transitioning: an organised mess!

As an adviser, the simpler solutions to transitioning wealth within family are generally beautiful, except when they are ineffective.

Sometimes, things simply have to get messy. I liken it to a parent sorting a kid's toy box; unpack it all over the floor (make a mess), fix the broken bits (or quietly discard them), then pack it efficiently back like Tetris. The steps sound simple? Not so. What if the parent has to leave the floor messy for multiple financial years? What if more than one kid wants the same toy? What if the kid no longer likes Lego when it's time to pack it back? Patience wears thin, tempers flare, it's like stepping on Lego with bare feet...

The key with advising clients who are managing their wealth to loved ones is to break it down into small steps. It's a transition. It's important to have the big picture but ineffective without the correct actions in the right order.

Here's some things to consider:

- Most clients have more than can be spent or effectively utilised, so yes, it is likely that you can hand over some assets while you are alive.
- Should you and how much? Get the advice first, even if you're just "thinking about it". We'll help you work though what you should know and what you should compromise on (tax/ cashflow/ Centrelink/ liquidity/ investments/ estate). There will be compromises.
- Quarantine some assets. Not all assets are equal in their importance in your retirement years. First work out what you need, what you might need and what you probably won't. We'll help you refine it.
- Work out if you are loaning an asset, handing over control or giving the asset away? Or going guarantor...? Be clear in your mind and transparent with your beneficiaries.
- It's better to promise nothing (yet), than over promise. Expectation breeds disappointment. But under promising and over delivering can bring joy.
- Happiness is in the giving, but once an asset has been handed on, you no longer own it and can't control it.

No two families are the same, but almost all have their unique issues. One upside to transitioning wealth to family while you are alive is you know the circumstances under which the transition occurs. Estate planning is for the inevitable "one day"; at which time, you won't always know your beneficiaries' situation (think: some still working with higher tax rates, some retired with no tax etc), whether the beneficiaries get on, or whether your estate is the reason they don't get on. Transitioning wealth while you are alive has greater control over those parameters.

Shares may be subject to CGT, account based pensions may have avoidable tax liabilities, giving assets may lead to the deprived assets rule for Centrelink (and also the costs of Aged Care); all of which can be managed while you are alive, and may apply whether your beneficiaries all love each other or not.

I mentioned "Quarantining" assets earlier and a common outcome for account based pensions in super is to lower the "taxable component" in your super benefit. The relatively recent changes to Super rules mean that more people can do this but it does mean the mess of having multiple super/pension accounts which means that each account will have different tax obligations if you die.

Naturally, if you are giving assets to family while alive, you would want to protect or quarantine the super/pension account that will have the lowest tax payable when you die.

Ironically, some clients love the flexibility of their Self Managed Super Fund but SMSF's can only have one accumulation account per member which may limit their options to minimise their taxable component if they are still working. Meaning they may have to open a separate account with another super fund. Messy!

And that's my point: Wealth transitions can be messy. Beautifully messy, but there are pitfalls everywhere, emotions can run high and to be effective, you must take small steps. Have a chat with your Adviser if this is something for you to consider. We can also meet with you and your family, we keep notes on topics discussed and provide reassurance through the process. And cut through the jargon! ■

MICHELLE SANCHEZ ADFS(FP)
Representative (325471)

Death of a loved one – what is the process and how can we help?

Losing a loved one is an incredibly difficult experience, and amidst the emotional turmoil, there are important steps that need to be taken regarding their financial affairs. If you find yourself in this position, we're here to support you through the process with compassion and understanding.

1. Reach out when you're ready

When you feel strong enough, please give our office a call. We will typically start by asking for the date of death, as this information is required by the product provider handling your loved one's investments or superannuation.

2. Notifying the provider

Following your call, our office will contact the super or investment provider to inform them. This notification triggers a process involving their estate planning team, who will then outline the specific requirements based on several factors: whether the assets are held jointly or solely, if there was a valid nomination for superannuation, and the amount of funds involved.

3. Account holds and withdrawals

During this period, a hold will be placed on the account. This means that regular withdrawals, pension payments, or lump sum withdrawals will not be processed until the estate is finalised. Additionally, any advice fees paid to us will be temporarily suspended.

4. Understanding the paperwork

Once we have clarity on what documentation is needed, we will reach out to the family to discuss these requirements. Depending on the situation, decisions may need to be made regarding the investments or superannuation—whether to sell them off or transfer them into the name of the surviving beneficiary.

5. Required documentation

In most cases, the product provider will request a death certificate and sometimes they will request Probate and/or a certified copy of the Will. Where probate is needed, we can refer you to an Estate Planning Solicitor who can make the Probate application on your behalf. This can take a little while. These legal documents need to be certified.

If cashing in the investment there will be additional forms to notify the provider where to pay the funds. If the investment or superannuation is to continue, additional forms such as transfer will be necessary, along with proof of identity for the beneficiary taking over the investment.

6. Finalising the paperwork

Once you have the death certificate and/or probate ready, we will schedule a time to meet in person. During this meeting, we'll help finalise the necessary paperwork and submit it to the product provider, ensuring everything is handled as efficiently as possible.

At our office, we recognise that this is a challenging time for you and your family. We are committed to making this process as smooth as possible, guiding you every step of the way with empathy and respect. ■

CRAIG KIRKWOOD AFP®
Authorised Representative (401525)

The importance of business succession planning for owners

As financial planners, we often meet with hardworking business owners who have not given enough importance to their succession planning. It involves preparing for the transition of ownership and control, not only in the event of death but also if an owner becomes incapacitated or chooses to exit the business.

> *A staggering 70% of business and wealth transfers fail between family generations, and yet fewer than a third (28%) of surveyed family businesses have a constitution or protocol in place.*
>
> Source PWC Family Business Survey 2021

This gap can create significant challenges if a business owner suddenly dies without a clear strategy.

Below are five considerations that we would address in conjunction with an accountant and lawyer as needed:

1. Recognise the need for a plan

A succession plan should be created early in the life of a business, involving all stakeholders (family, partners, and employees). This plan prepares for various scenarios, ensuring continuity in case of retirement, incapacity, or death. The plan involves deciding who will take over, when, and how.

2. Distinguishing personal and business assets

It's important to differentiate personal assets from those owned by the business. A well-drafted succession plan clarifies asset ownership, especially in family businesses where younger generations may wish to take control while navigating relationships with non-family partners.

3. Valuing the business

An accurate business valuation needs to occur regularly. The business value may have changed significantly, impacting succession options such as transferring to a family member or selling to a third party.

4. Insurance

Business insurance supports the continuity of profits if a key individual dies or becomes incapacitated and can facilitate the transfer of ownership. It's all about ensuring the right amount of money is available, at the right time, with no nasty tax surprises!

5. Establishing Power of Attorney

Having a Power of Attorney is essential, particularly for owners approaching retirement. This document appoints a trusted person to make decisions on your behalf if you become incapacitated, ensuring that your plan can be executed effectively.

6. Understanding tax implications

Different transfer methods can have varying tax consequences, including capital gains tax and other potential liabilities. Small businesses may be eligible for tax concessions if certain conditions are met.

With approximately 1.4 million business owners approaching retirement age in the next decade, it's essential to understand and start succession planning early. ■

MATTHEW KELLY CFP®
Representative (314983)

Who's going to look after my regular bills?

When formulating an estate plan, most of us normally will record personal assets like our home, savings/investments, and personal property, along with ensuring a Power of Attorney is in place.

One often-overlooked issue is who will manage our day-to-day bills if we become incapacitated or pass away. For someone suddenly facing this task, it can be time consuming, especially if they don't know where to start.

For example, what if you had regular direct debit arrangements in place? Who is/are your utility provider(s)? What about internet or subscriptions to Foxtel, Netflix etc.?

By taking some time to record details of the various providers and associated information (like passwords), will make it easier for those who take over your responsibilities, helping to prevent missed payments or disconnections.

The most common bills we pay can include:

- Water rates
- Electricity
- Gas
- Car insurance
- Health insurance
- Council rates
- House/contents insurance
- Mobile phone/internet

Many others could be included in this list, but they all share common elements that you should record:

- Description of provider (i.e. electricity)
- Account number
- Frequency/when due
- Payment method
- Login details

Also, what about any social media accounts? For example, iPhone users can select a Legacy Contact to access their account data after their death.

Do you have a plan in place? Having one reduces stress for you and your family, ensuring everyone knows what to do when it's needed. ■

BORIS PEDISIC CFP®
Representative (301739)

Share your estate planning details with your family so they know what to expect

Starting the conversation

It can be difficult to talk about things like Wills and Estates, however, having everything organised makes life easier down the road. By discussing it with your family, you can ensure that your loved ones are aware of how and why you have structured things.

Speak openly about your values and priorities. It will give them peace of mind that what's being done is in line with your wishes. This transparency can reduce confusion and conflict that may lead to disputes, or even legal challenges. The important issues:

Do you have a Will?

- If yes, where is it and who are the Executors?
- When was it last updated and are the beneficiaries clearly listed?
- Review your Will regularly, especially if life changes, e.g. moving into a retirement village or aged care facility, the addition of new family members (grandchildren) etc.
- If you don't have a Will, make one as soon as possible.

Power of Attorney (POA)

If something happens and you can't make decisions, who will?

- Who have you chosen to handle your finances and/or make medical decisions if you can't.

Advanced Care Directive

What type of healthcare do you want, if you were really ill?

- Do you have strong feelings about certain medical treatments or procedures. Make sure these are written down so there's no guessing.

Important Documents

Where do you keep documents like birth certificates, house deeds, share certificates, tax returns, retirement village or nursing home paperwork?

- Make sure you know where these documents are kept and that they're all in one spot.
- Do you receive an Age Pension (Centrelink) and if so, where are the details?
- The contact details of your estate planning lawyers, financial planner and accountant.

Funeral Plan

Have you thought about what kind of funeral you'd want – e.g. do you want to be buried or cremated?

- Knowing these preferences will help ensure that your wishes are respected.

Life does not always go to plan. You may not always be in a position to communicate important information to your loved ones, which is why it's crucial that you have these conversations now. Don't leave it to the last minute, causing unnecessary stress for the people you love. ■

MOMIR VUKSA SMSF SPECIALIST
ADVISOR™/ SSA® Representative (1306168)

Navigating inheritance: a success story

Inheritances often come at a poignant time, marking the loss of a loved one. While they can be life-changing, providing financial opportunities and security, they also bring a complex set of emotions and decisions. Navigating an inheritance involves balancing the grief of loss with the responsibility of managing newfound wealth. This process has been overwhelming for clients and as a financial adviser I help them navigate the windfall in a way that secures their financial future and empowers them to make informed decisions.

In the case of one of my clients the advice helped achieve the following:

Early retirement planning

With the inheritance, my client expressed a desire to retire early. We devised a long-term, sustainable financial plan that aligned with their retirement goals. This included setting up diversified investment portfolios, maximizing retirement account contributions, and projecting future income needs. The comprehensive approach provided a clear pathway to achieving early retirement while maintaining financial stability.

Balancing debt repayment and investment

Striking the right balance between paying down debt and investing was crucial. We conducted a thorough analysis of their financial situation, considering factors such as interest rates, investment returns, and risk tolerance. By creating a tailored strategy, we helped our client understand the benefits and trade-offs of each option, ensuring they could make informed decisions that aligned with their financial goals.

Flexible debt repayment

One of the primary concerns for our client was managing their existing debt. We developed a flexible repayment strategy that allowed them to pay down their debt without compromising their lifestyle and safety net.

Empowering through understanding

Throughout all steps in the financial planning process our advice prioritises transparency and education. We took the time to explain all available options, potential outcomes, and the reasoning behind our recommendations. This approach not only made our client feel confident in their decisions but also empowered them with the knowledge to manage their finances effectively in the future.

Each financial journey is unique, shaped by individual goals and circumstances. Not everyone dreams of early retirement or receives a significant inheritance. Our guidance on inheritance has been a beacon of hope, helping clients manage tax outcomes, structure investments wisely, and retain government support payments when possible. Whatever the desired outcome, our personalised financial advice helps our clients navigate their financial journeys with clarity and confidence. ■

BRENTON MIEGEL CFP®
Authorised Representative (227297)

Referring the next generation

One of the great pleasures that we longstanding advisers at Goldsborough Financial Services have comes when our clients refer their children to see us for advice. Such referrals occur for a variety of reasons, the most common simply being when our clients lament that they "should have sought out financial advice much earlier in life!" (Actually, if I had a dollar for every time I hear that the stack would be way taller than the Ficus in my office!)

Generally though, parents who refer want to ensure that their children develop sound financial habits, make informed decisions, and secure long-term financial well-being. Adult children, particularly those just starting careers, often lack the experience or knowledge necessary to navigate complex financial matters such as budgeting, investments, taxes, and retirement planning. A Goldsborough adviser can provide personalised, expert guidance that can prevent costly mistakes and help them build a strong foundation for the future.

Professional advice is especially important in an era where financial literacy is not always emphasised in education. Many young adults (and I include my own now-working children in this) struggle with understanding and managing debt, building credit, or saving for major life events such as buying a home, marriage, or having children. By consulting a financial adviser, they can learn effective strategies for debt reduction, saving, and investing, which are critical for achieving long-term goals.

Additionally, financial advisers can offer an unbiased, objective perspective that family members may not be able to provide. Parents may have strong opinions on money management, but professional advisers offer expertise without emotional involvement, ensuring decisions are based on facts and the individual's unique circumstances.

Referring adult children to financial professionals can also encourage independence. It teaches them how to manage their finances responsibly, empowering them to take control of their financial future. Rather than relying solely on parental support, they gain the tools to build wealth, mitigate risks, and plan for unexpected events. Overall, professional financial advice ensures that adult children have the resources and knowledge to thrive financially, both now and in the future.

Thank you to those who have referred their adult children to Goldsborough Financial Services for professional financial advice, and for future referrals to come. ■

SAM MARTIN CFP®
Authorised Representative (252676)

Adult children and inherited wealth

Preparing your adult children for inherited wealth is a crucial part of estate planning. Here's a concise six-part framework to guide you:

1. **Review your estate plan regularly**
   Annually review your estate plan with your financial adviser to ensure it reflects your current wishes. Sharing the general outline with your children can help them understand your intentions and manage your affairs when needed.
2. **Consider the impact on your heirs**
   Inheriting wealth can affect your children differently. Encourage them to assemble a team of financial, tax, and legal professionals to help manage their inheritance effectively.
3. **Promote responsible behavior**
   If you have concerns about a child's financial habits, consider setting up a family trust with specific conditions for releasing funds. Discuss how their abilities and goals align with managing complex assets.
4. **Set realistic expectations**
   Have an honest conversation about what your children can expect to inherit. This helps prevent unrealistic expectations and ensures they are prepared for their future.
5. **Shore up your plan**
   Identify weaknesses in your estate plan and your children's financial skills. Work with your adviser to implement strategies that protect your assets and promote responsible management. Consider appointing a professional executor and finding mentors.
6. **Clarify your intentions**
   Your estate plan is about more than just passing on assets; it's about passing on values and experiences. Share your hopes for how your children will use their inheritance to benefit themselves and their communities.

If you would like to discuss this further outside of your annual review, please contact your adviser. ■

Goldsborough
Financial Services

Final seminars for 2024

We are happy to announce that we will be hosting 3 different types of information sessions in 2024. These sessions will all be held in our boardroom at 6pm on the dates listed below:

Super SA Members

Monday 25 November

at 6.00pm

A FAQ event on the tips and tricks unique to Super SA and how we can assist to maximise your benefits.

Retirement Living and Aged Care

Wednesday 6 November

at 6.00pm

If you or a loved one will need Retirement Living support and/or Aged Care in the coming years, then this seminar will explain the different options that are available.

Retirement Planning Talk

Tuesday 12 November

at 6.00pm

There's never a better time to plan for tomorrow than today! We'd love to help you start planning your financial future, and it's as simple as attending one of our free Retirement Planning Talks.

Please keep an eye on our Facebook page or our website for the most up-to-date details.

Referral award

Goldsborough is a referral-based business. **The biggest compliment any client can give us at Goldsborough is the referral of a friend, relative or business associate who could benefit from our services.** To show our appreciation for the wonderful referrals that we receive from our clients we are now drawing a winner for **each month**, to receive a $100 gift voucher!

We have pleasure in announcing the winners of our Referral Reward for July, August & September 2024 are:

- Debbie Haines
- Barrie Marsland
- Lisa Lanchester

Congratulations and thank you again, your vouchers are on the way.

The winners each receive a $100 gift voucher!

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