

WILL – A missing link in our overall Financial Plan

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Sudha called me up few months ago. We were pondering over various aspects of her overall financial plans. When I touched upon topic of WILL, she was dumbstruck. According to her, WILL has to be made only by wealthy individuals.

Sudha is a professor in University. She lives with her teenage daughter. Few years ago her husband suddenly ran away from house leaving her and their daughter. His whereabouts are not known as yet. Sudha, struggled initially with her finances but over a period of time has started collecting ropes and is now settled. She has nominated her daughter in all her assets.

It is important for readers to know that nomination entitles nominee to receive the asset. However ownership is dependent on either WILL or in the absence of WILL respective succession acts/laws. To put this in perspective, suppose if husband nominates his mother in his life insurance policy and dies intestate (without making a WILL) then even though insurance company will pay claim to his mother, his wife can claim her share.

In case of Sudha, if she was to die without making a WILL, financial institutions will pass on all the assets to her daughter as she is the nominee. However her husband can claim stake – since formal divorce has not taken place – in Sudha's assets.

In January 2009 Yatin Mehta (49) called me up. He was diagnosed with a dreaded disease and according to doctor he only had about 8/10 month's of life. Yatin underwent divorce 5 years ago and got married again in October 2007. From his first wife, he has two children. One of them is in USA; second one is working with him in his consulting firm. There are no children from second wife who is 40 years of age. This is her first marriage. When issue of WILL and Estate Planning came up, several thoughts crossed mind (1) should he bequeath all his assets to his second wife? What happens if she marries again after his death? (2) Should he give assets to his children? What if they do not take care of their step mother? Further he only has one residential property. Should this be given to his second wife, son working with him or to son in USA? While there is solution to all these, point I am trying to drive is, there is always a need to give thought to planning of your estate and making a WILL. Estate planning is much larger gambit than making a WILL.

By the way there is difference between estate planning and real estate planning.

Today's generation is creating assets much faster than their parents, further their lives are much complex and hence estate planning is very crucial.

Whenever someone asks me, when I should make my WILL, my standard answer is "day you create your first asset."

Fortunately in India making of WILL is very easy. This is one document which is not required to be made on stamp paper. WILL made on plain paper is perfectly fine. Also hand written WILL is also acceptable by law.

While we spend all our lives creating wealth so that our future generations can derive benefit out of it. Failing to plan for that estate or not having a WILL is like accumulating water for a dry day in a storage which cannot hold liquids.

Gaurav Mashruwala

The author is a Certified Financial Planner.