



estate planning refers to the process of planning for the transfer of one's estate to the intended recipients before or upon one's death. A common misconception about estate planning is that it is to be carried out only when one is in the twilight of one's life.

However estate planning, like the other elements of financial planning such as insurance planning, investment planning and retirement planning, is best carried out when one is young and healthy. Estate planning aims to ensure that a person's wealth is passed on to his or her intended beneficiary or beneficiaries efficiently and smoothly. The following are some areas to consider in estate planning.

### CONSEQUENCES OF INTESTACY

When a person dies without a will, the deceased's property or estate will be distributed according to the Intestate Succession Act that provides rules for the transfer of property. The Act spells out the rules for distributing the deceased's property to spouse, children and relatives. The distribution rules under the Act are fixed. If the deceased had wanted to vary the proportion to certain relatives or to gift his or her assets to charities or non-relatives, his or her wish cannot be honoured.

Intestate estate would usually take a longer time to administer than when the deceased had a will providing for the distribution of his or her property after death. This can create great difficulty if the deceased's family needs the money to see to their immediate needs or children's education. The trauma of losing a loved one can be made less painful if one has a will detailing how his or her wishes are to be carried out.

### WILL - NATURE OF A WILL

A will is essentially a document by which a person (known as a testator) gives instructions to a person (known as the executor) nominated by the testator to carry out those instructions on how his or her properties are to be distributed upon his death. The persons who benefit under his will are called beneficiaries.

Besides specifying the distribution of your estate among the beneficiaries, the will should appoint guardian(s) for your minor children under 21 years old (if any) in the unlikely event that there is no surviving spouse. When appointing guardian(s), it is important to consider the kind of lifestyle you want your children to grow up with. Put your thoughts down how you want the children to be brought up (such as type of education etc) which will serve as a valuable guide to both the guardian(s) and children.

While it is common to appoint the surviving spouse as the executor, sometimes for valid reasons (such as the intent to minimise the possibility of fraud, or you need the executor to possess certain skills), you may want to appoint others to assume this office. Choose competent and trustworthy executors who are responsible and willing to administer the estate. Choose someone of the right age as an older person may not survive you. Alternatively, you can also engage the service of professional executor for a fee if you foresee that the administration of your estate is complicated and to ensure longevity of this office.

While you can make your own will, if you are 21 years old and of sound mind, the risk is that your will might be ineffective or invalid, causing your beneficiaries to suffer unnecessary expense. It is advisable for you to consult a lawyer who can advise you and draft your will for you according to law. The cost of making a will depends on its complexity. You can ask your lawyer for an estimate of the costs involved in making a will before appointing him.

### ENSURE ESTATE LIQUIDITY

Estate liquidity refers to the ability of one's estate to pay taxes and other costs that arise after one's death using cash and cash equivalents. You should plan to have sufficient liquid assets to pay for your final expenses, medical bills, estate duties, taxes and related expenses. This will prevent the forced sales of your assets. One mean to maintain estate liquidity is with life insurance policies. When one is insured under an insurance policy, the

2) If you are married with children, half of your CPF savings will be given to your spouse, and the remaining half divided equally among your children.

If you are a Muslim, your CPF savings will be distributed by the Public Trustee according to the Inheritance Certificate, which your family members can obtain from the Syariah Court (Muslim inheritance law).

If you wish to distribute your CPF savings differently from the intestacy laws/Muslim inheritance law, you will need to make a CPF nomination. For more information on the distribution of your CPF savings under the intestacy laws/Muslim inheritance law and under CPF nomination, please refer to the Frequently Asked Questions at [www.cpf.gov.sg](http://www.cpf.gov.sg).

If you wish to make a nomination or if you have already made an earlier nomination, please take note that:

- 1) A marriage will automatically revoke an earlier nomination, if any.
- 2) A divorce does not revoke an earlier nomination, if any.
- 3) A will does not supersede an earlier nomination, if any.

4) If any of your nominees is below the age of 18 years at the time your CPF moneys are paid out, his/her share will be forwarded to the Public Trustee for administration until he/she reaches 18 years old of age.

5) If any of your nominees is an undischarged bankrupt at the time your CPF savings are paid out, the CPF Board will be legally obliged to inform the Official Assignee (OA) of any assets that are due to him/her as his/her estate is vested in the OA by virtue of the laws in Singapore relating to bankruptcy.

#### The following are covered under CPF Nomination:-

- (a) Savings in the Ordinary, Special, Medisave and Retirement Accounts
- (b) Discounted Singapore Telecom Shares
- (c) Fixed deposits under the CPF Investment Scheme-Special Account (CPFIS-SA)
- (d) Economic Restructuring Shares (ERS)

In the absence of nomination, Discounted Singapore Telecom Shares will be included as part of your estate. Others will be

#### The following are not covered by CPF Nomination but form part of your estate:-

- (a) Cash and investments held under the CPF Investment Scheme-Ordinary Account (CPFIS-OA)
- (b) Investments held under the CPFIS-SA (excluding fixed deposits)
- (c) Properties bought with CPF savings
- (d) New Singapore Shares (NSS)

insurance monies payable in the event upon death would be part of the deceased's estate. However, it is worth noting that insurance payout is subject to estate duty.

Estate duty is taxed at five per cent on the first \$12 million of assets that are dutiable, and 10 per cent thereafter. Delay in paying estate duty due attracts interest cost imposed by the Commissioner of Estate Duties. It also delays the probate process and thereby the distribution of the estate to the beneficiary or beneficiaries. The probate process is the legal process by which deceased's estate are administered.

### MANNER OF DISTRIBUTION OF YOUR CPF SAVINGS

You do not need to make a CPF nomination if you wish to distribute your CPF savings under the intestacy laws. Distribution under the intestacy laws by the Public Trustee ensures that your family members will receive your CPF savings. For example:

1) If you are single, your CPF savings will be divided equally between your parents.

### SAFEKEEPING OF WILL AND FINANCIAL DOCUMENTS

Make sure that your family members know where you keep your important documents such as will, investment records, insurance policies, bank passbook, loan documents, cheque books and IOUs. Keep the documents in a centralised location. Having proper records of all your assets and liabilities will facilitate the administration of the estate and can reduce the probate process.

You can register information on your will free of charge with the Wills Registry - a central depository maintained confidentially by the Public Trustee. The information available from the Wills Registry will be useful for your beneficiaries or executor in determining whether you have left behind a will, or in the administering your estate. (for details, visit <http://app.minlaw.gov.sg/ipto> and click "Read more on Will Registry").

Having a comprehensive estate planning in place will give your loved ones and yourself peace of mind. But just as with the other areas of planning, it is important that ongoing monitoring and modifications are made to your estate planning as circumstances change.

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