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Important tips for successful estate planning

CHECKPOINT: MUST BE ENOUGH LIQUIDITY TO COVER ALL COSTS

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»→ How to re-evaluate your will, your estate's liquidity and estate-planning goals.

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Many recent tax changes affect estate planning and the cost of estate administration.

Brenthurst's Rozanne Heystek-Potgieter and I compiled a list of important issues when navigating deceased estate administration.

• Tax hikes impact on costs:

Value Added Tax (VAT) has increased to 15%. An executor is entitled to remuneration: the current set tariff of 3.5% of the gross value of the estate's assets. If an executor is a VAT vendor, the vendor's entitled to claim the VAT due from the estate. VAT hikes therefore increases the amount needed in an estate to cover administration costs.

• Estate duty increase

Estate duty has increased to 25% for estates of R30 million or more. It's levied on worldwide assets. Besides where an estate's bequeathed to a surviving spouse, an individual might have an extensive offshore investment and property portfolio with very few assets in South Africa. As a SA tax resident at death, Sars levies that entire worldwide estate for estate duty. After all deductions and abatements, a dutiable estate up to R30 million is liable for 20% estate duty, amounts over R30 million, 25%. If the testator intends maintaining offshore assets abroad without repatriating or liquidating them, consider a life policy that'll pay out to the estate and ensure estate duty and executor's fees are provided for by the cover to avoid having to sell any international assets.

• Benefit from favourable offshore laws:

Certain offshore investment jurisdictions have laws allowing investment co-ownership; how they're dealt with on a co-owner's passing is a helpful estate planning tool. For example, when money is invested in a jurisdiction like Guernsey, include your spouse as a co-owner on the investment. Thus any SA donations tax can be avoided and [you] benefit from Guernsey's joint tenancy rights (passing of ownership on survivorship). This avoids having to apply for a Guernsey grant of probate to transfer investment ownership. Note, the half share of the investment still forms part of the deceased's estate for estate duty purposes – it doesn't bypass the SA estate.

• Know what documents are important for safekeeping:

Keep important documents in a safe location, such as identity document, marriage certificate, antenuptial contract, divorce orders, death certificate and estate duty return from a predeceased spouse's estate, original title deeds, car registration papers, among others.

• Communicate with heirs:

An estate's heirs can play a vital role in the deceased administration process. Executors are only legally privy to all financial information once they've been formally court appointed and issued letters of executorship. This could be weeks, even months after death. The heirs become the direct line of communication regarding the deceased's assets and liabilities. Giving heirs a basic outline of assets and liabilities in an estate can greatly relieve their burden. It's highly advisable to consult a professional.

▶ *Brian is MD of Brenthurst Wealth*