



# **YOUR FINANCIAL PLAN AND YOUR ESTATE PLAN**

It's officially the second half of the year and most of us have had the opportunity to review or think through some strategies or ideas we had planned on implementing this year. Depending on the stage in life we are in, be it wealth accumulation, wealth consolidation and/or wealth distribution stage, the current economic situation calls for a review of our financial plans which ultimately have implications and impact on our estate plan(s).

I wish to reiterate that an estate plan is a reflection of an individual's changing life experiences. There is no good financial plan without the structure of an estate plan as a basis. This article will discuss the importance of aligning your financial planning with your estate planning. While some people might think financial planning is the same as estate planning, it is important to state that they are different.

## What Is Financial Planning?

Some explain financial planning as the process of arranging, planning or managing one's finances to achieve economic satisfaction. According to the Cambridge Dictionary, financial planning is the act of making decisions about how someone should manage their financial arrangements. The process involves budgeting, saving and investing. With financial planning, an individual would assess their current financial goals and review the books and investments to meet their set objectives per time. It is achieved by setting goals based on the current stage of life that you are in while you also take into cognisance the desired objective for setting the financial goal.





## What Is Estate Planning?

Estate Planning is the process a person undertakes to arrange and prepare the transfer of his/her assets to their loved ones. Estate Planning can also be defined as the transfer of assets in anticipation of incapacitation or death. This process aims to preserve the maximum wealth possible for the desired or intended beneficiaries. So, it could include the issue of taking decisions about health care during incapacitation but mainly deals with the issue of who gets what from your assets.



## Differences Between Financial Planning And Estate Planning

While an estate planning expert might be able to make recommendations on an efficient financial plan subject to the experience of the estate planning expert, the financial planner might not be able to do this because of some legal advice that the estate planning expert (who is a lawyer) would give. The process of estate planning is deeper and more comprehensive than a financial planning process. An estate planning expert, in preparing estate planning documents, will weigh the current situation of a settlor's estate alongside possible outcomes and the worst-case scenario of financial decisions taken by a settlor on his/her estate to prevent contention or dissatisfaction of beneficiaries or even loss of assets.

This would ensure a smooth execution of the desires of the asset owner as contained in the estate plan. Though, it must be emphasised that both financial planning and estate planning are important and aid seamless estate execution. Both plans prevent the problematic consequences of not having a plan and gives the settlor assurances of an estate free of in-fighting or animosity. A settlor is at peace when he/she knows there is proper financial plan in place to meet the needs of his/her beneficiaries and in case of any unfortunate occurrence, a robust estate plan is in place to ensure that only the desired beneficiaries have access to his/her assets, as intended.







## **Benefit Of Harmonising Your Financial Plan With Your Estate Plan**

While financial planning is very important, having a robust estate plan should be part of financial planning because with an estate plan you would have stated who takes decisions on your behalf in relation to your estate when you're unable to do so or who inherits your assets when an eventuality happens. With a robust estate plan, the State does not get to determine how your assets will be distributed because you would have clearly stated how your affairs should be administered in your estate plan. Your estate planning advisor and your financial planning advisor should work together to prepare a comprehensive and well-integrated estate document. The final document must contain details regarding health care or medical emergencies and how to access funding for this, education and welfare of children, lifestyle maintenance in retirement, funding of charitable objectives, appointment of guardians for children that are minors and how to settle probate fees or estate duty.



## Advantages Of Combining Your Financial Plan With Your Estate Plan

When both processes are combined, the individual/asset owner would have solved the problem of tracing assets by the beneficiaries or checking multiple documents with multiple advisors who might have disjointed information on what needs to be done in a particular situation. Having a robust estate plan that includes the financial plan would save your family from grieving and stressing over your assets or how to access the assets.

These two subject matters are not one-off arrangements rather they require periodic checks to ensure they still align with the objectives of the asset owner. The advisors can create a plan where they conduct periodic reviews of the estate subject to changes in the status of the settlor and other factors. To begin aligning your financial planning with your estate planning, it is advisable to consult your estate planning expert or set up a joint meeting with both of them to discuss this matter. Where you don't have a financial planner, an estate planner may assist you with engaging one by recommending suitable financial experts.



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