Business Standard

# Estate planning: Here's why delay in writing a Will can prove costly

**Create a list of your assets and share it with a trusted relative**

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*Representative Image*

Parents go to great lengths to ensure that their children get the best comforts that their money can buy, and the best education that they can afford, or sometimes even not afford. They make multiple sacrifices to make life easier for their children. However, this same sense of parental care is not evident when a parent passes away, especially the one who handled the family's finances. Invariably, spouses and children do not have a clue about the assets that the person owned, whose names they are in, the amounts involved, and how they need to deal with them. This creates stress for the family that they could have done without, considering that they are already dealing with the trauma of losing a close family member.

Recently we came across a case involving a friend of one of our clients. He passed away all of a sudden at the age of 40. Immediately after his demise, the family was faced with a cash crunch, as the spouse did not have access to the salary account where most of the liquid money was kept. Any method of electronic transfer was also not possible as the passwords for online access were available in a folder on a laptop, which was password protected, and the password was known only to the deceased.

Families can take four steps to make matters simpler for their loved ones, especially as a number of close family members like children now live in a separate geography, or even overseas, and are therefore likely to be able to come home only for a short while, and then need to head back to their professional careers elsewhere.

**Consolidate your assets:** We recently came across a situation where a family patriarch, who passed away, had close to 40 bank relationships, each with different holding patterns, spread across multiple cities. Considering that the family is spread across different geographies, both within India and overseas, just the process of identifying, informing and closing the bank accounts took more than two years. In certain cases, the effort involved in going through the process was not worth the few thousands in the bank accounts, and hence the money was simply abandoned. There are multiple reasons why people have so many banking relationships, including different salary accounts with different jobs, proximity of home to multiple bank branches, more attractive fixed deposit rates of a particular bank at a particular point, or the ability to avoid tax deduction at source on deposits by spreading them. However, the effort involved in getting all the money lying in so many bank accounts proved to be overwhelming for the affected family members. In addition, there were multiple shares, but still in physical form and not dematerialised, and a plethora of mutual fund schemes.

The solution for all of this is to keep things very simple. Do not have more than two bank accounts with fixed deposits linked to those accounts itself, a few mutual fund schemes with email IDs and PAN numbers correctly updated so that they appear in a consolidated account statement, a demat account for shares, and a single residential home that is free of any legal challenges. This set of holdings should suffice for most families.

**Maintain and share an inventory of assets:** The biggest dilemma for the above-mentioned family continues to be whether the patriarch had a 41st or a 42nd bank account that held a considerable sum of money. Creating an inventory of assets, keeping it updated, and sharing it with family members is crucial to ensure that in case of an unfortunate event, they are aware of which assets they need to deal with. In cases where family members are in different geographies, constantly updating them about assets can be even more challenging. Hence consolidating them becomes even more critical. Passwords also need to be shared with a loved one.

**Have open money conversations:** Money continues to be an item of conversation that tends to be avoided, especially across generations. Most children avoid having money conversations with their parents as they believe that the latter would find it intrusive. They leave it to the parents to initiate this conversation. Many parents tend to procrastinate talking about this subject and believe they will do so at an opportune time, which unfortunately never arrives.

Open money conversations make it much easier for spouses and children to deal with the estate. They have better knowledge what the overall estate is comprised of, and hence are in a better position to deal with all of it more efficiently. Make sure to have these conversations sooner rather than later, as failure to do so could mean hardships for the family.

If you check with your family and friends, you will come across multiple cases where a piece of real estate was left equally to two children. There came a point where one wanted to sell it and the other did not. Thus, the asset transfer has not really served its intended purpose of giving access to money to the children when needed. If the same money were held in liquid assets, it could have been used by each beneficiary in the way that she wanted.

**Write a Will now:** An updated Will is a critical part of a robust estate plan. Nominations are not enough. It is critical to have a Will that is synchronised with the nominations so that it is easy for family members to get the assets transferred in their names in the manner that the parent would have wanted. The absence of a Will could mean that assets get transferred according to succession laws. This could prove to be both time consuming. The manner in which the assets get divided may also not be in line with the parents' wishes. Writing a Will is simple. It can also be updated in case changes need to be made. This can be done either by adding a codicil or by writing a fresh Will. Do not forget to store it carefully and let your loved ones know where it is. If needed, you can avail of professional Will storage services that are available at a nominal cost. Registering a Will is not mandatory but it is advisable to do so.

**A ROBUST SUCCESSION PLAN SHOULD HAVE THE FOLLOWING**

- Few bank accounts that represent all your savings
- Just one or at most two demat accounts and not more than half a dozen mutual funds
- Successors have easy access to your assets
- Have money-related conversations with your successors
- Write a Will and let your near ones where you have stored it

A smooth transfer of your estate is one of the best ways to leave a lasting legacy and to protect your family members from avoidable delays and frustrations, something you would never have wanted to put them through when you were alive.

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