



Where crorepatis go wrong: Delay succession planning due to fear of losing control

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What's the secret to becoming rich? Most of us want a one-pointed answer to the question. Money is certainly not everything, but it's important. Especially in these pandemic times, when jobs, incomes and careers have been ravaged. A good corpus helps us tide over such difficult times, help us repay our loans and meet our daily living expenses. We wonder what the rich have done to ensure stability and comfort in their money matters. What can we learn from them? And what is it that we shouldn't be? Here is a special three-part series on what we can learn from the rich – the crorepatis, as we often refer to them colloquially, or high networth individuals in investment parlance. Last week, we looked at their investing habits. On Monday, we understood their spending habits. Today, we conclude our series by making sense of their succession planning methods.

If there is one aspect that unites the crorepatis with the middle class and the mass affluent, it's how we all hate to make a Will and decide our succession plan. The second wave of COVID-19 may have changed things a bit, though. As opposed to the first time, when many of us felt immune from the virus, the second wave has hit almost all of us or those closest to us. The need for estate planning has, perhaps, never been felt more acutely.

Moneycontrol has repeatedly held that you do not have to be a millionaire to make a Will. Having a Will just makes it easier for you to distribute your wealth to your legal heirs. The typical crorepati may be a bit ahead in estate planning, but most financial planners complain that crorepatis are almost as hesitant as the rest of us.

Going beyond a Will

Having nominations for your investments and writing a Will are typically the two most popular ways to bequeath wealth with most of the middle class or the mass affluent. But there are other ways in which you can pass on your wealth, such as by creating a trust. Vishal Dhawan, a certified financial planner and founder-CEO of Plan Ahead Wealth Advisors, says that many crorepatis form a trust. A trust is monitored by a set of people called trustees. You could set aside money for charity – to fund deserving poor students' education or sponsor sick patients for their medical expenses.

Dhawan says that one more tool that crorepatis use is to have a provision for a power of attorney. This gives the power to a person- usually to those closest to him or her- to sign official documents and take important money-related decisions if the person becomes incapacitated, either physical or mentally. "Many think that estate planning is to done to take care of the money after they're dead. But they forget that even when they are alive, they could become bed-ridden or crippled, which could make them incapable of doing the simplest of things. Your money needs to be taken care even then...while you are still alive," says Dhawan.

Pune-based financial intermediary Sujata Kabraji tells the tale of a lady client who passed away a few years go. This lady wanted to give away all her wealth to charity as she was single. But in her later years, she had dementia and didn't have a chance to write a formal will before she passed away. Luckily for her, the executor, who was a close family member, honoured her verbal wishes and distributed her wealth to the causes she believed in. This, despite the fact that the lady hadn't put it down in her Will. Kabraji says it ended well for this lady, but if you wish to give away your wealth – in full or a portion – it's always better to write it somewhere.

Hesitant to write a Will

Most of the financial planner that Moneycontrol spoke to said that the crorepati also procrastinates. Kabraji tells the tale of one of her clients who she persuaded for close to seven years before he finally wrote his Will. Reason: the client had too many assets and documenting each one of them was cumbersome. "Others don't want to confront that fact that someday they will pass on, so they avoid the subject completely," says Kabraji.

Making a Will means that you have to make a list of your assets as well as your liabilities. Your assets also include immovable properties.

Mrin Agarwal, Financial Educator & Founder, Finsafe India says that “too many assets, investment instruments and the need to consolidate also adds to the hindrance of making a Will.”

Sense of invincibility

That's a bad habit you mustn't pick up. Dhawan says that a typical crorepati also delays making succession plans because she feels invincible. He notices this trait in many first generation entrepreneurs who have built successful businesses. “They are smart, and have worked hard to build their firm. But they also become over-confident. They feel nothing can happen to them and that need to spend their time on other areas, mostly their careers,” he adds.

The sense of invisibility can also take the form of hesitancy in losing control in some. A wealth advisor of a boutique wealth advisory firm says that many rich people equate writing a Will to losing control. “They feel that by writing a Will, their children or family would know too much.” Financial planners say it's unwise to think in this way, as “that could leave family members in a chaotic situation for lack of knowledge on the estate,” he adds.