

(STANFORD BROWN)

A Financial Guide to Terminal Illness & Major Health Events

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Introduction

It is understandable that the terminal illness or diagnosis of a major illness can be the start of an extremely stressful, emotional and confusing period for you and your family.

I have developed the below guide to outline the 7 important steps to help ease the financial stress on your family at this time. This ensures you will have more time to focus on what is important; your health, treatment and spending quality time with loved ones.

1. Have a trusted circle of professionals around you

A trusted circle of quality professionals around you and your family will help to make the period in your life as smooth as possible. This includes engaging a good accountant, estate planning lawyer and financial planner.

It is best to engage them early on so that there is time to make any required changes to your estate planning and financial circumstances.

It can also be easier if one of the professionals takes the lead in co-ordinating the others. Stanford Brown co-ordinates these services for our clients.

2. Create an emergency 'Go' pack

One of the most practical and useful tips I can give to you is to put together what I like to call the "Go" pack. Go to Officeworks and purchase a brightly coloured folder and file in it all of the important information and documentation your family will need after you pass away.

This file may include:

- A summary of your Life Insurance information
- Original insurance policy documents
- Original Will or instructions as to its location
- List of Superannuation accounts and, if you have a SMSF, the original trust deed or instructions to its location
- A list of all bank accounts and credit cards – even that online account you haven't used for 10 years with a balance of \$2
- A list of passwords for Netflix, Stan, Foxtel, and any jointly used accounts or services
- Setup your memorialisation settings on your social media
- List of all car/home insurance policy details
- A list of people to contact and inform, from your financial planner and accountant through to friends and family

3. Secure the family's short-term access to cash

Your bank accounts can be frozen once the institution with which you bank is notified of your passing. A frozen account will limit access to funds, even if the account is held in joint names.

I suggest setting up a separate bank account in the name of the surviving spouse/partner and linking this account to your usual savings or mortgage offset accounts. Upon your passing, they can transfer a lump sum across to their separate account to secure future access to funds to meet ongoing living expenses while the estate is finalised.

If you pass before an account can be established your spouse/partner should withdraw what funds they can from an ATM if they have authority to do so.

4. Get your affairs in order – Estate Planning

Anyone who has managed the estate of a deceased person will understand the work that is involved to have this finalised.

It is paramount that you seek advice from an experienced and trusted estate planning lawyer. Too often I see inexperienced solicitors working on an estate plan which can result in lengthy delays or poor asset distribution/protection outcome.

Ask your solicitor if they specialise in this area. If they do not, ask for a referral to someone who does. You can also speak with your financial planner or accountant as they usually have a network of professionals around them to which they can refer you.

Remember, you get what you pay for.

Below are some Estate planning areas you may want to consider:

- Review your Will with an estate planning specialist and ensure it is valid and reflects your current wishes
- Establish a valid Enduring Power of Attorney. This will enable someone to make financial decisions for you if your illness progresses to the point where you are no longer able to make your own decisions.
- Establish an Enduring Guardianship provision, nominating the person you wish to advocate for you and make care/medical decisions for you if you are unable to do so.
- Document your wishes about medical intervention and life support treatments
- Transfer assets prior to death to assist with cashflow or minimise complication if passed through the Estate
- Establish a testamentary trust to create asset protection and tax efficient distribution of income to your family after your passing
- Who have you nominated as Guardians for minor children? Are they still appropriate?
- Who have you appointed as the Trustees to your Estate? Do they have the ability to remain impartial and administer your wishes?

5. Understanding Probate

Probate is seeking approval from your relevant state court confirming that you hold a valid Will and confirming who is appointed as the trustee of the Estate.

Along with the submission, your nominated trustee will need to include a list of all personal assets held. This includes confirmation of any share holdings, investments or bank statements (even that online saver account with \$2 balance).

Simplifying your financials before you pass away can make the process a lot easier and faster.

This process takes time! Creating non-Estate held assets prior to death (super/insurance) will help your family to manage cash flow during this period.

What if I pass without a Will?

This is known as dying intestate. If this occurs, your spouse/partner or next of kin will need to apply to the court for Letters of Administration and be appointed to manage your estate. It is best to avoid this if possible, both to limit delays in finalising the estate and to avoid disputes if multiple parties apply.

6. Eliminate future financial stress or concern

Get a good financial plan in place for both short-term and long-term management of the family's affairs.

Make sure there is a trusted financial planner in place to support and advise through this process.

Consider strategies such as:

- Death benefit pensions
- Binding nominations on super to avoid payments to the Estate delaying access to funds
- Early access to insurance and super benefits (before you die) under terminal illness benefits
- Dividing assets up tax effectively. For example, super to spouse/financial dependents, non-super to non-financial dependants
- Investing the Estate's proceeds to assist with the family's long-term income needs

7. Employer Termination Payments

If you die while being employed or retire due to medical permanent incapacity, your employer will pay your remaining entitlements through what is called an Employer Termination Payment (ETP).

In the event of your death the ETP payment is provided to your estate.

In the event of permanent disablement, the payment is made to you directly.

There may be different tax treatments between a death and permanent incapacity termination payment which should be discussed with your financial adviser or accountant (should you have any discretion over when these get paid).

Note: I cannot stress enough the importance of the first step, by having the right group of trusted professionals to help, you can alleviate unnecessary stress at an already difficult time.

About the Author



With over 18 years' experience in the insurance and corporate services industry, James McFarland leads Stanford Brown's Risk Insurance team. He is well known for his friendly and professional manner as well as an advocate for his insurance clients at claim.

James started in the Insurance industry in October 2000. He has extensive experience partnering with high income earners, business owners and partnerships in developing tailored insurance solutions to meet both their individual and business needs.

One of James most important attributes is that he recognises that the relationship between an insurance adviser and client is ongoing and long term. The relationship does not end after your insurance policies are first issued but continues to be monitored and tailored to suit both changes in your financial circumstances and changes to the insurance industry.

James finds the most rewarding aspect of being a Risk Adviser is as your advocate at claim time. He understands the intricacies of the claims process and the possible challenges of dealing with insurance companies at an already stressful time.

James would welcome the opportunity to discuss your needs.

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