



Intergenerational Wealth Transfers

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Learning Outcomes

- Recognise the important role of the financial adviser in clients' estate planning needs
- Identify the strategic advice issues of estate planning and intergenerational wealth transfer retention of assets, tax structures (SMSFs) and estate equalisation



Agenda

*In the first-ever official study of wealth transfers in Australia, the Productivity Commission has projected a **fourfold increase in the value of inheritances** over the next 30 years.**

- Strategic Advice & Planning Opportunities: Super, Tax and Real Property

**Productivity Commission Report released 7 December 2021 'Wealth transfers and their economic effects: research paper'*



Referral to an Estate Planning Lawyer?

- A gentle nudge!
- Tax planning opportunities
- Not overstepping into legal/tax advice

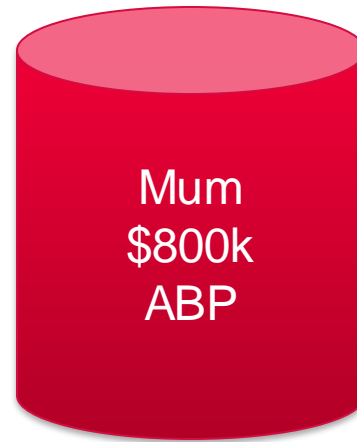


Intergen Wealth Transfer

- Need to start planning for it
- Cultivate relationship with next generation of family members
- **May to have plan now, irrespective of whether client widowed or not (simultaneous death / large balances)**



Super Death Benefits



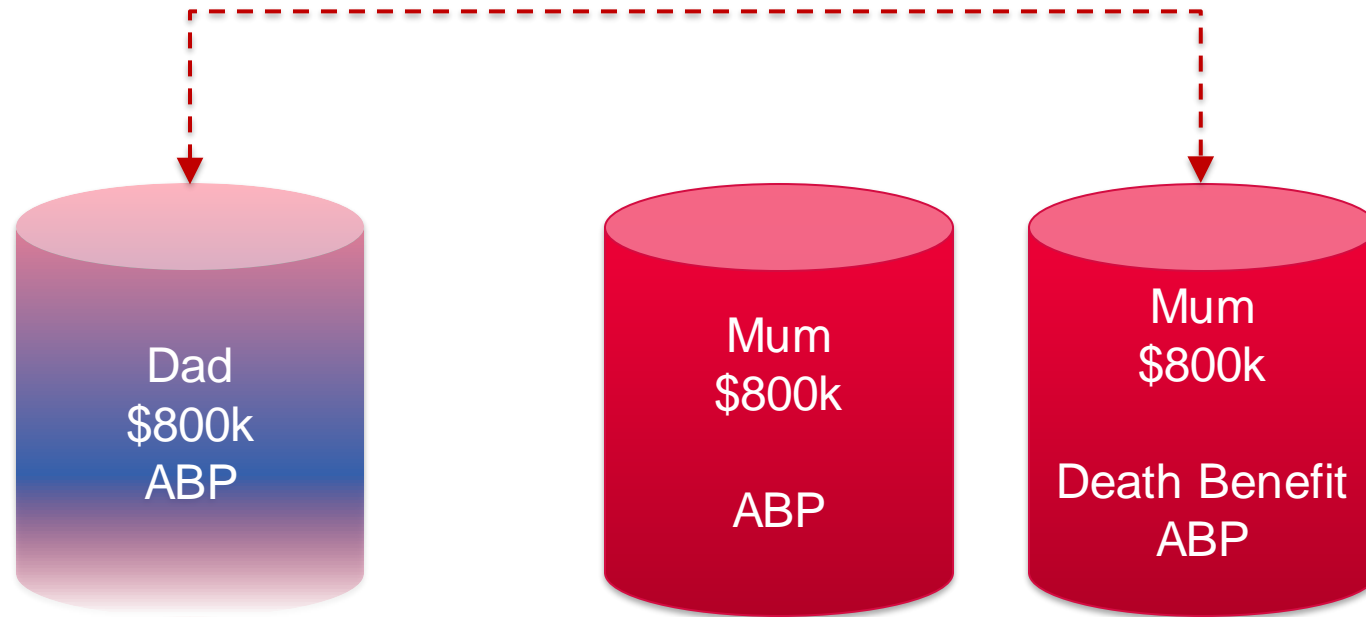
Polling Question 1

What would we typically do with Dad's interest, if he were to suddenly pass away:

- a) Direct to deceased estate
- b) Death benefit income stream to Mum
- c) Lump sum death benefit to Mum
- d) Reversionary income stream to Mum

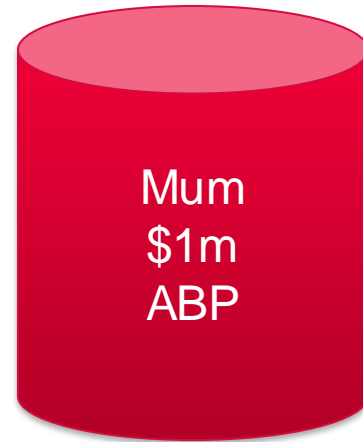


Super Death Benefits

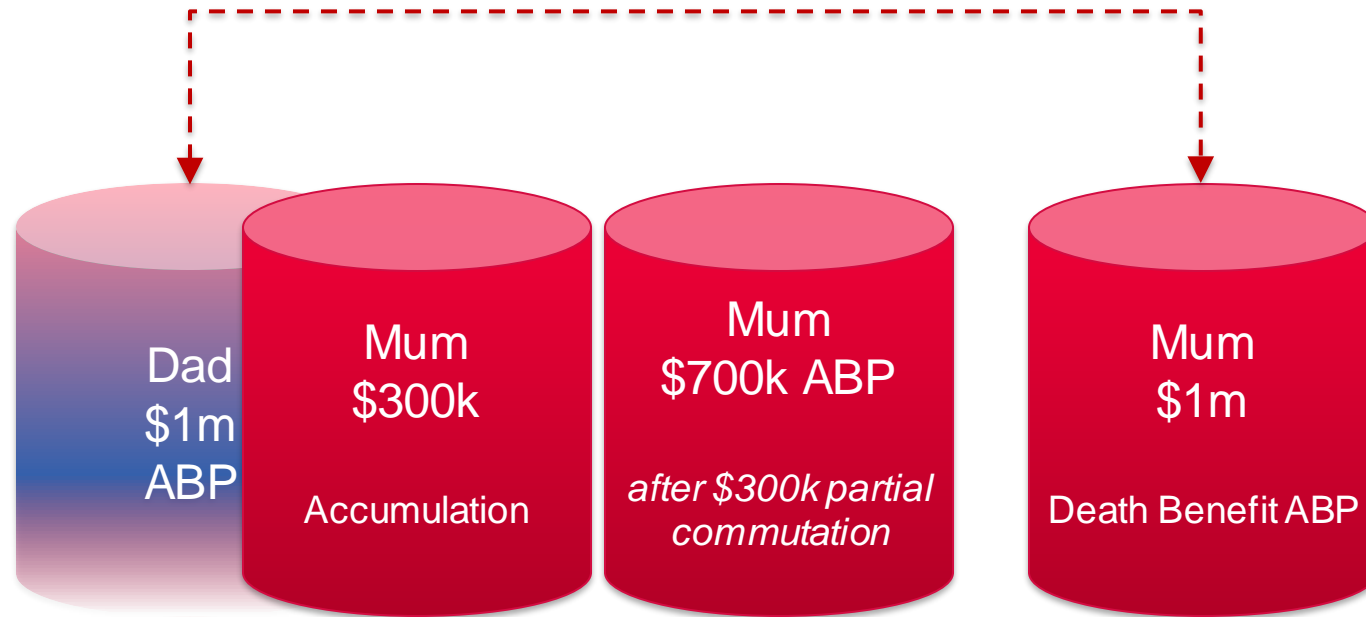


Adult children beneficiaries
next in line

Super Death Benefits



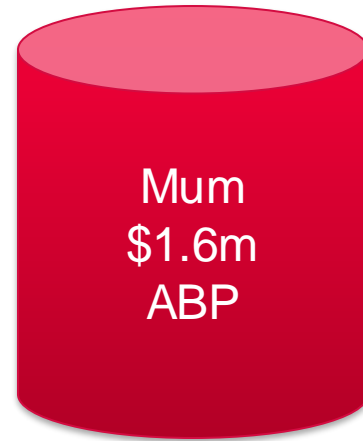
Super Death Benefits



Adult children beneficiaries
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Super Death Benefits



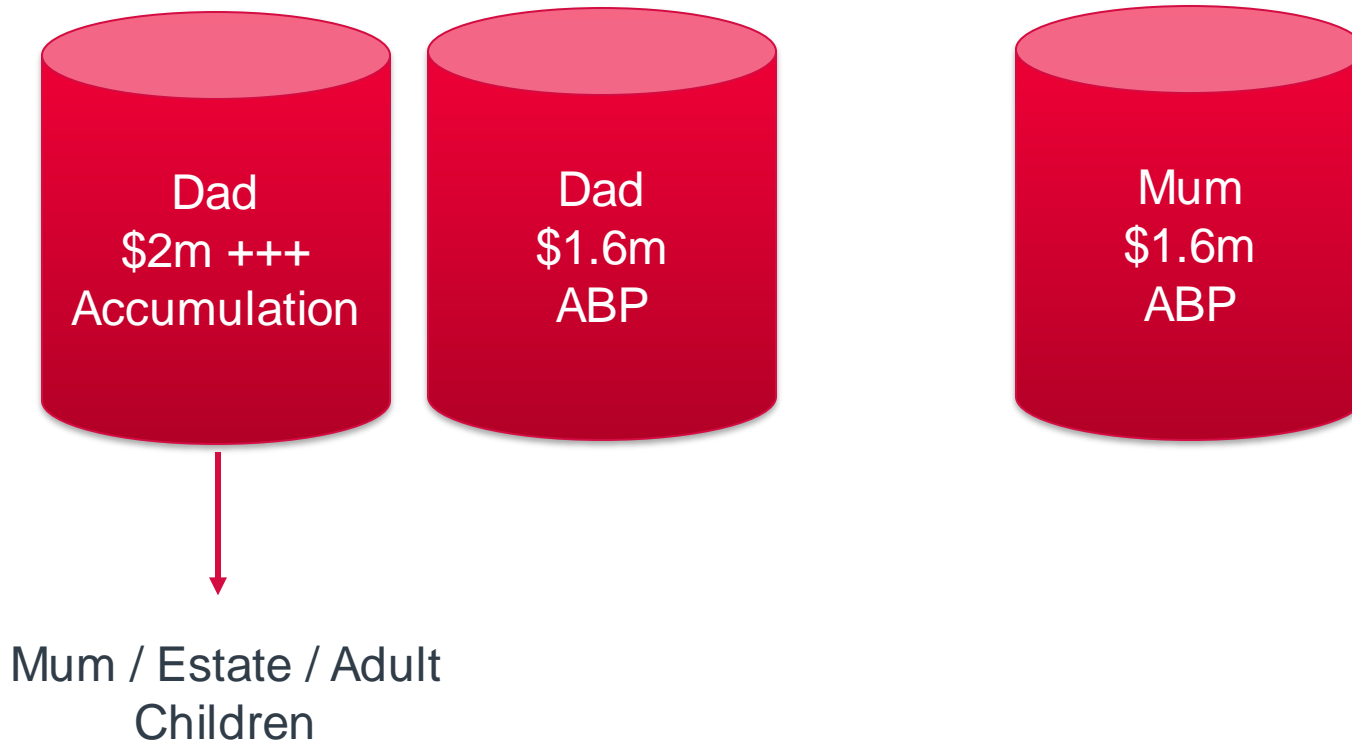
Super Death Benefits



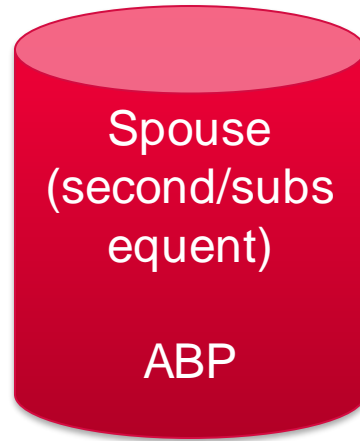
Adult children beneficiaries
next in line



Super Death Benefits



Super Death Benefits - Blended family



Adult children beneficiaries

- Pay direct, or via parent's deceased estate?
- Risk of \$\$ being contested
- Larger amounts / degree of asset protection = Test Trust?!



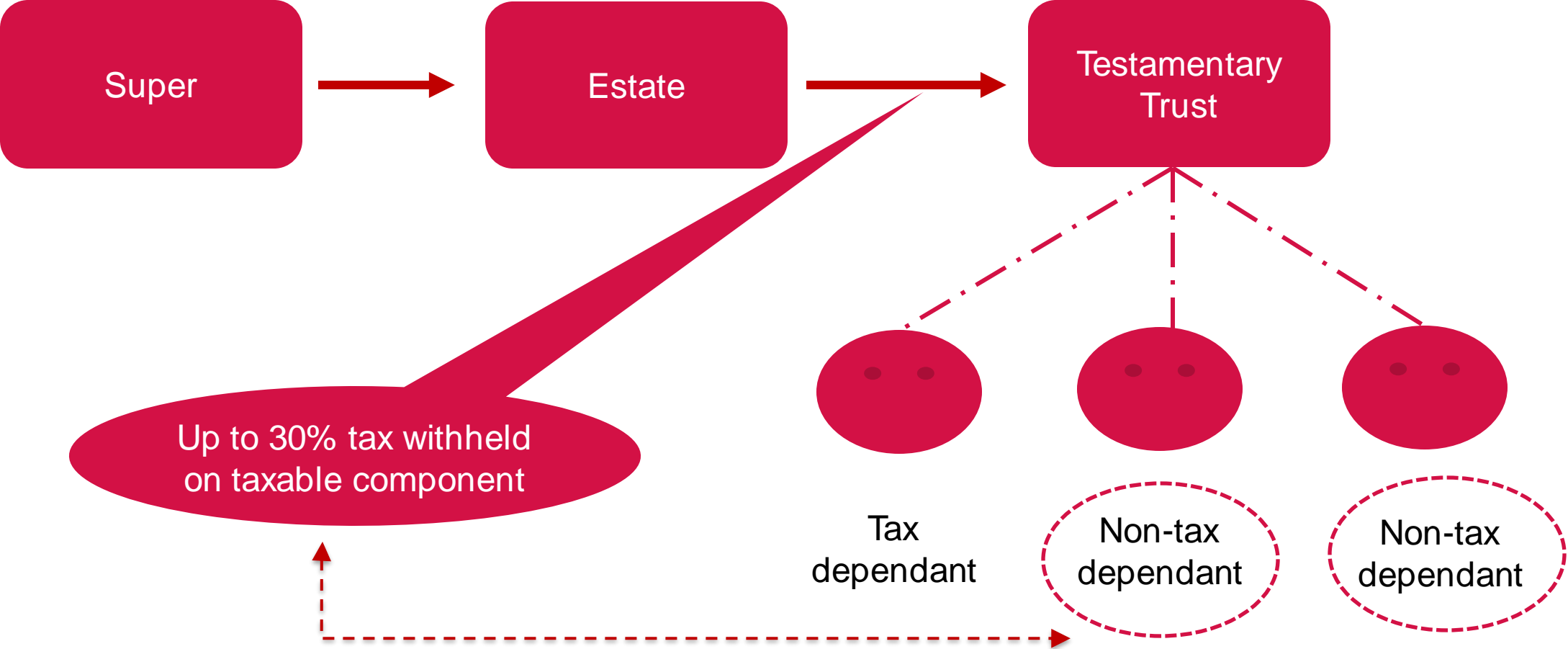
Polling Question 2

What's the tax treatment of a super death benefit paid via the deceased estate?

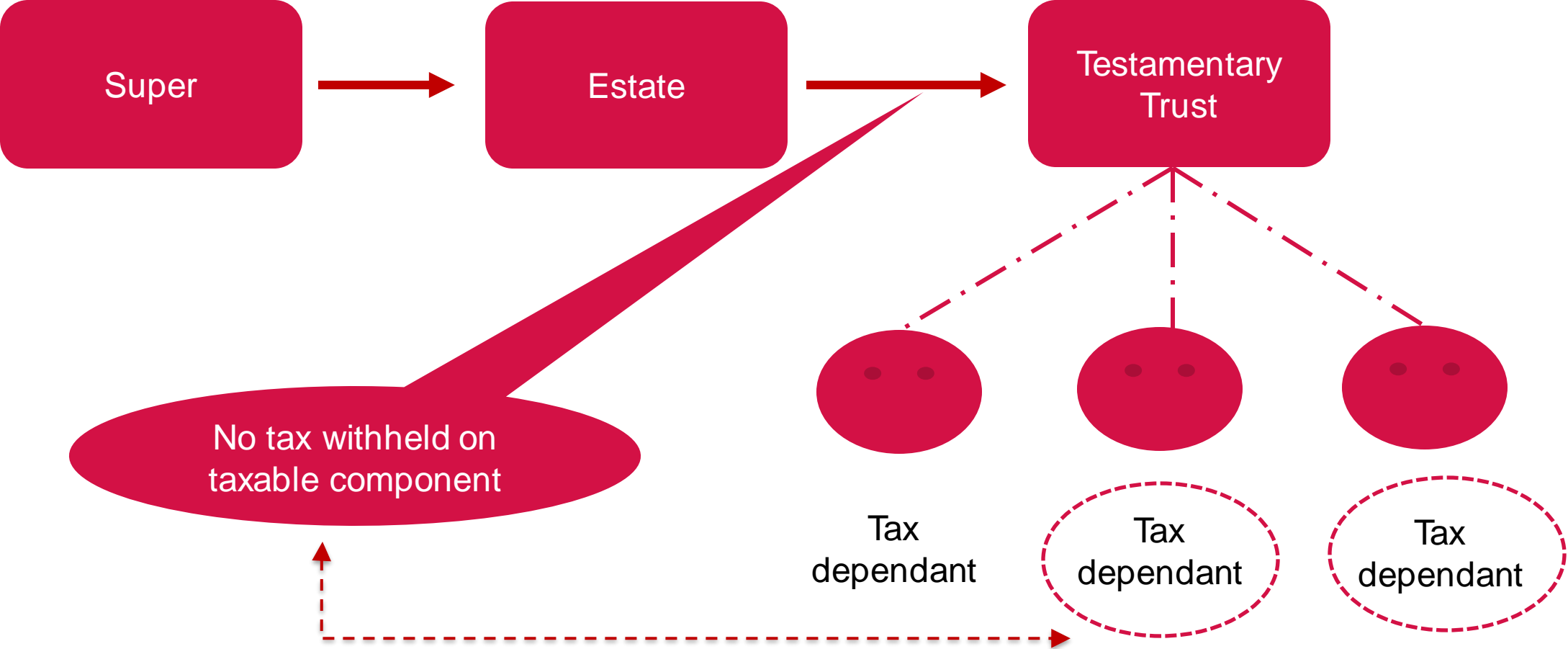
- a) Tax free, Medicare only payable
- b) Tax free if paid within 6 months date of death
- c) Depends on profile of ultimate beneficiary
- d) Taxable, but anti-detriment payment would negate tax

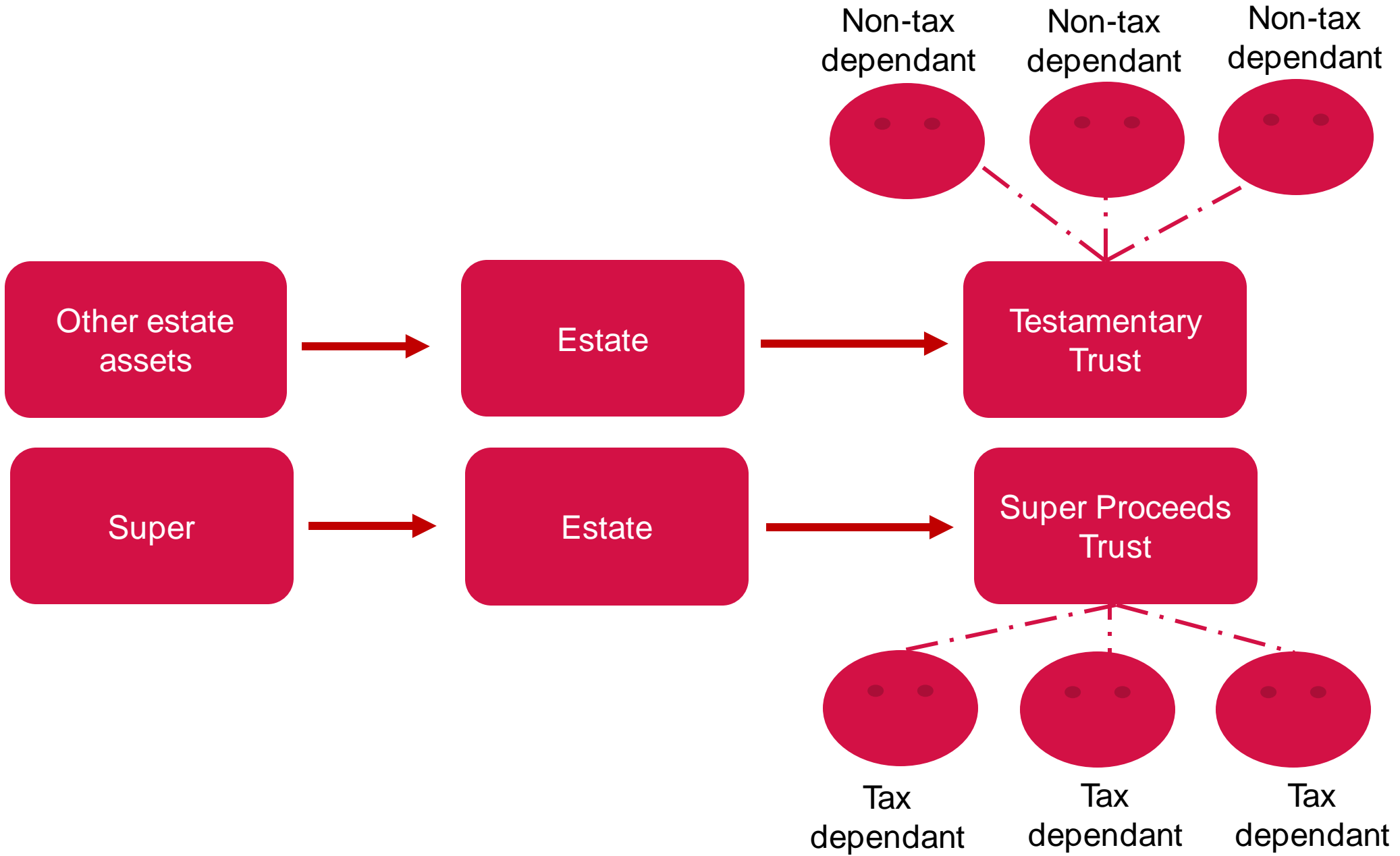


Seeding Testamentary Trusts



Seeding Testamentary Trusts





Case Study

Simon dies at age 55

At date of death Simon had \$1m term life cover and existing super balance of \$400,000 (50% tax free)

Adult daughter (BDBN). Single mum, works part-time and receives full FTB Part A&B for her two children (c.\$15k pa), receiving child care support

Simon	Paid direct to Non-dependent beneficiary	Paid to beneficiary via Estate
Net death benefit	\$1,021,000	\$1,045,000
FTB (\$15k)	Lost	Retained
Div 293 tax (up to \$4,125)	Liable	N/A
Child care support	Lost	Retained
LITO, LMITO etc	Lost	Retained

Recontribution strategy

- From 1 July 2022
- For older retired clients that may not have otherwise been able to re-contribute due to work test
- Something to consider especially if adult children in line to inherit super



Polling Question 3

A client personally owns a blue-chip share portfolio at date of death. What are the tax implications for beneficiaries?

- a) No CGT implications as shares were post-CGT assets
- b) CGT is crystallised if/when beneficiary disposes of shares
- c) CGT is automatically crystallised in hands of estate
- d) CGT is automatically crystallised in hands of non-tax dependants

CGT Cost Base

Asset	First element cost base
Post CGT assets	Deceased's cost base at DOD
Dwelling - Deceased main residence; and - Not being used for income producing purposes	Market value at DOD
Pre-CGT	Market value at DOD

50% General Discount? Yes, if post CGT asset

Inherited property

Use of the asset	Beneficiary Cost base	Beneficiary use of the asset	Date of Sale	CGT payable by beneficiary
Property acquired before 20/09/85				
Main residence	Value at DOD	Main residence	Anytime	No
		Investment	Sold < 2 years	No
			Sold 2 years+	Yes
Investment	Value at DOD	Main residence	Anytime	No
		Investment	Sold < 2 year	No
			Sold 2years+	Yes
Property acquired after 20/09/85				
Main residence	Value at DOD	Main residence	Anytime	No
		Investment	Sold < 2 years	No
			Sold 2 years+	Yes
Investment	Deceased's Cost Base	Main residence	Anytime	Partial exemption
		Investment	Anytime	Yes



SMSFs and BRP

- SMSF owned insurance merely inflates the death benefit
- Look to self-owned insurance policies, with a NCC into SMSF to create liquidity? And/or rolling over children super \$\$ from APRA fund to SMSF?
- Use of discretionary trusts as holding vehicles for BRP instead!?

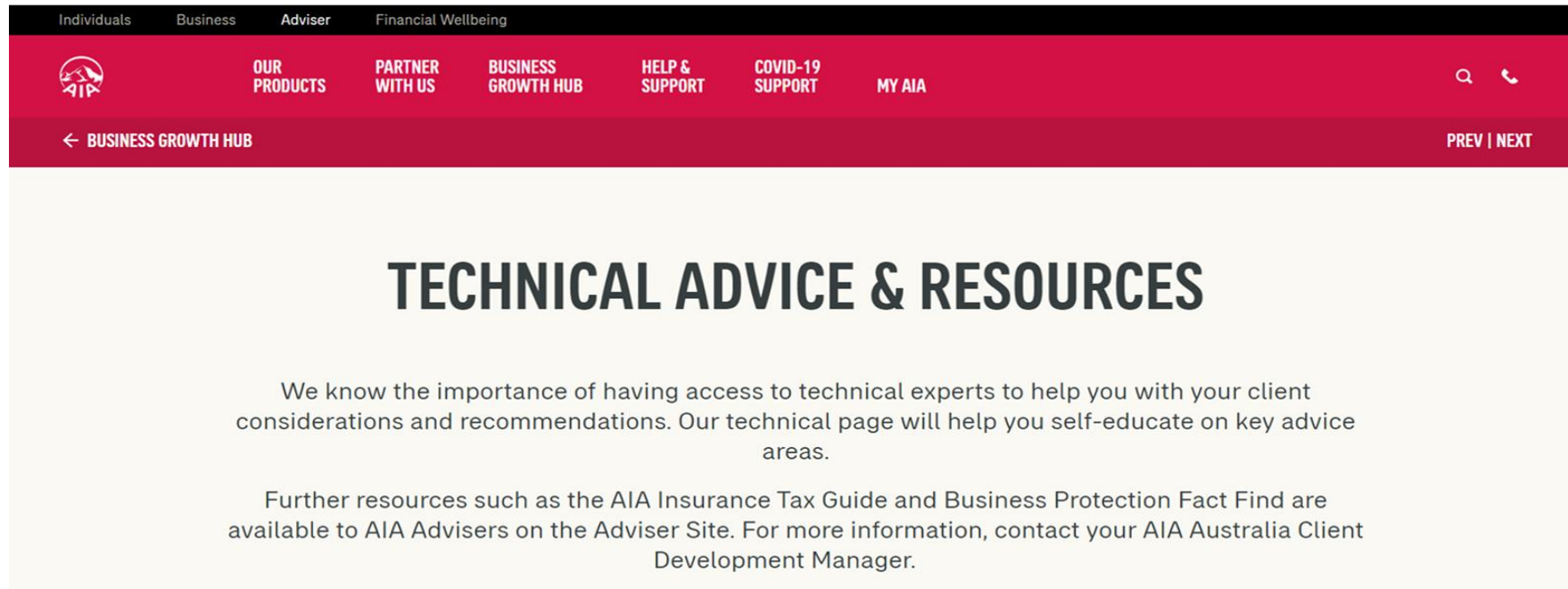
Estate equalisation

- Insurance policies to equalise estate
- Think family businesses – one child involved, others not – illiquid business assets (farm)

Takeaways

- Superannuation – adult children beneficiaries – direct or via estate? Cultivating next generation of clients
- Seeding Testamentary Trusts with super benefits – estate lawyers that are well versed in tax law
- CGT assets being inherited

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BETTER LIVES

Thank you!

Questions?

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