



Estate Planning Case Study

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Mike (62) and Stacey (51) were married and lived in Sydney. Mike had two children, Steve and Fiona (38 and 36), from his previous marriage which ended when his first wife died. Stacey also had a daughter who had just completed high school. Mike was still working, but planned to retire in the next few years.

Both Steve and Fiona were starting families. Steve had a large mortgage and Fiona and her husband were renting.

Mike died suddenly, and effectively intestate, as his last will was executed during his first marriage. His wife, Stacey, became sole owner of their \$1.2m home (it having been in joint names), was paid \$700,000 in super including a small insurance component and received all the assets of Mike's estate, principally the proceeds of an old \$300,000 ordinary life policy.

If Mike had sought financial advice prior to his death:

- although he thought of himself as a battler, he would have realised there actually would have had a fair bit of wealth in the event of his death
- the adviser would have uncovered his concerns and wishes and realised that provision would need to be made in order to leave the proceeds of his life policy to Steve and Fiona. \$150,000 would mean that Steve could pay off a large chunk of his mortgage and Fiona and her husband could put a deposit on a home.

Unfortunately Steve and Fiona received none of Mike's estate, as:

- his home and super did not form part of his estate, and
- the \$300,000 insurance proceeds was less than the 'statutory legacy' threshold (\$350,000 and indexed periodically)

Stacey (not having had a warm relationship with Steve or Fiona) had her own retirement security and her own daughter's tertiary education as priorities. Whether a court action would succeed in clawing back any of Mike's assets to Steve and Fiona in the above scenario would be highly uncertain.