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Generation Skipping for Wealth Preservation in Estate Planning

Generation Skipping in estate planning can be a useful tool for the preservation of family wealth, and the advancement of your descendants – however these are not the only reasons why skipping a generation can be useful.

So what is generation skipping in an estate plan, and what are some of the reasons why you should consider skipping a generation in your estate planning.

What is “Generation Skipping”?

Generation skipping in this context, is how it sounds: when you arrange your affairs so that your wealth is distributed to your descendants beyond just your children. However, this can take many different forms. For example, it might:

- leave your estate in whole or in part to your grandchildren, rather than your children;
- create trusts for the benefit of your grandchildren during your life;
- create trusts for the benefit of your grandchildren in your Will;
- create trusts for the benefit of your grandchildren and their lineal descendants

during your life, by restricting distributions to income (and not capital); or

- create trusts for the benefit of your grandchildren and their lineal descendants in your Will, by restricting distributions to income (and not capital).

The way you structure your assets and craft your estate plan will depend on your motivations for putting the plan in place.

The Starting Point: Why Skip a Generation?

The starting point in all of this is what drives you in your estate plan. Some of the motivational drivers relevant to this topic include:

- a desire to educate your descendants;
- a desire to see your descendants leading a comfortable life;
- a desire to see your descendants leading a worthwhile life (whatever that might mean in your own terms);
- a desire to see the continuation of your existing business, whether active or passive investment, that is the wealth generator, or generators, for your family;
- a desire to see the preservation of the accumulated wealth within your family across the generations, at least as far as your great grandchildren;
- a desire to see the enhancement of the accumulated wealth within your family across the generations, at least as far as the your great grandchildren; and
- a desire to achieve all or most of the above with avoidance of the dissipation of the core of the wealth, or the income flows generated from it by:
 - sharing the wealth or income from it with the creditors, publicans, vultures, or drug dealers of your descendants; and
 - sharing the wealth or income from it, with former partners of your descendants.

Generation Skipping is a versatile tool that can be used as part of tailoring your estate plan to your specific needs.

If you are interested in discussing how generation skipping might give enhanced benefits to your families and would like some advice, please contact us by telephone on 03 6223 8899 or by email:

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This article is a modified extract of Peter Worrall's paper that he presented at the Ninth Annual Estate Planning Conference held in Queensland during March this year. Mr Worrall will be presenting on this topic again on Monday 1 June 2015 in a webinar for the [Television Education Network](#).



Peter Worrall
Director

Business Succession Planning – Advisors – a crucial factor for business success

As the owner of a business, you face the real question of what happens to your business when your involvement ceases whether through retirement, illness, loss of capacity, death or to pursue other opportunities. Whether you plan for it or not, this time will come. Active business succession planning can be the difference between keeping on the path to success and being exposed to increasing risk and uncertainty. In an increasingly complex world, your trusted advisors may be the crucial factor in the effective transition of your business to the next generation.

It is difficult to conceive of what an 'ordinary' business looks like in 2015, let alone 2020 or fifty years from now. Continued globalisation and the rise of the internet as a means of marketing and market access have only increased the complexities faced by businesses as they strive for viability and to compete in local, national and international markets. Just as businesses come in different all shapes, sizes and industries, so too does the right business succession solution.

Fate and faith are unreliable business succession plans, as is assuming that an anointed successor (for example, a family member) will have the skills and knowledge to take over your business at the right time and in the right way. Elegant and practical solutions to issues take thought, time, effort and commitment to design and implement. If your hopes are for your business to survive, grow and thrive in a dynamic environment, purposeful business succession planning is essential.

Good succession planning is a state of mind. This applies when designing the business, in having the foresight to activate a plan with sufficient time for it to work, and in keeping it up to date as your circumstances materially change. With rare exceptions, we are not expert at all we put our minds to. Therefore, in a dynamic world turning to your trusted advisors (e.g. lawyer, financial advisor and accountant) for help can be a crucial factor to the success of your business now and in the future.

Expert advice can help you identify risks, options and make recommendations that take into account your personal circumstances and your wishes. We can help you answer the following questions:

1. What options do I have in making a plan?
2. Who do I want to take over my business (and are they willing and capable)?
3. What knowledge, skills, experience and support does my successor need?
4. What structural changes might I need to make to my business to give my plan the best chance of success?
5. When do I need to start implementing my plan?
6. What considerations should I take into account in making a plan?
7. What formal documents do I need to put in place to ensure that my preferred plan works?
8. How do I realise my investment in the business while ensuring its continuity (e.g. capital, cash flow, jobs, and relationships)?

Our experience is that only a small proportion our business clients have implemented a comprehensive and cohesive business succession plan. We invite you to discuss with us how Worrall Lawyers can assist you in planning for and documenting your business succession solution.

Please contact us by telephone on 03 6223 8899 or by email:

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Further Information

Our Website:

A wealth of information in relation to estate and commercial matters can be found at our website www.pwl.com.au

Contributions:

Contributions and suggestions from Estate Planning News readers are always appreciated. Email us at mardi.rhoden@pwl.com.au

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