



“Things You Must Know about Wealth Distribution -Will & Trust”

& T R U S T

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Probate Process

- If one passed away, the assets possessed will be FROZEN



Fixed Deposit



Saving Account



Stocks



Business



Real Estates

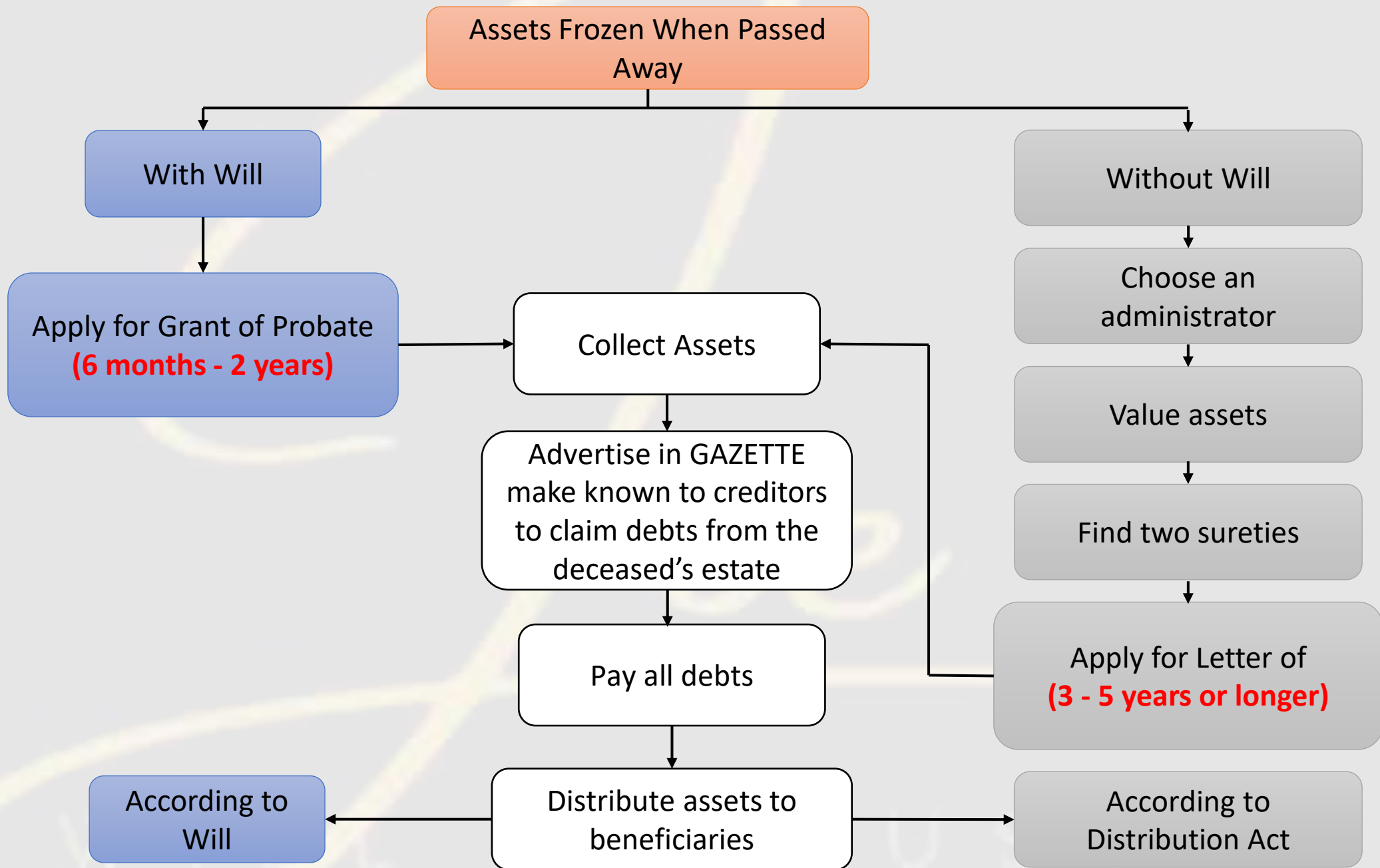


Car

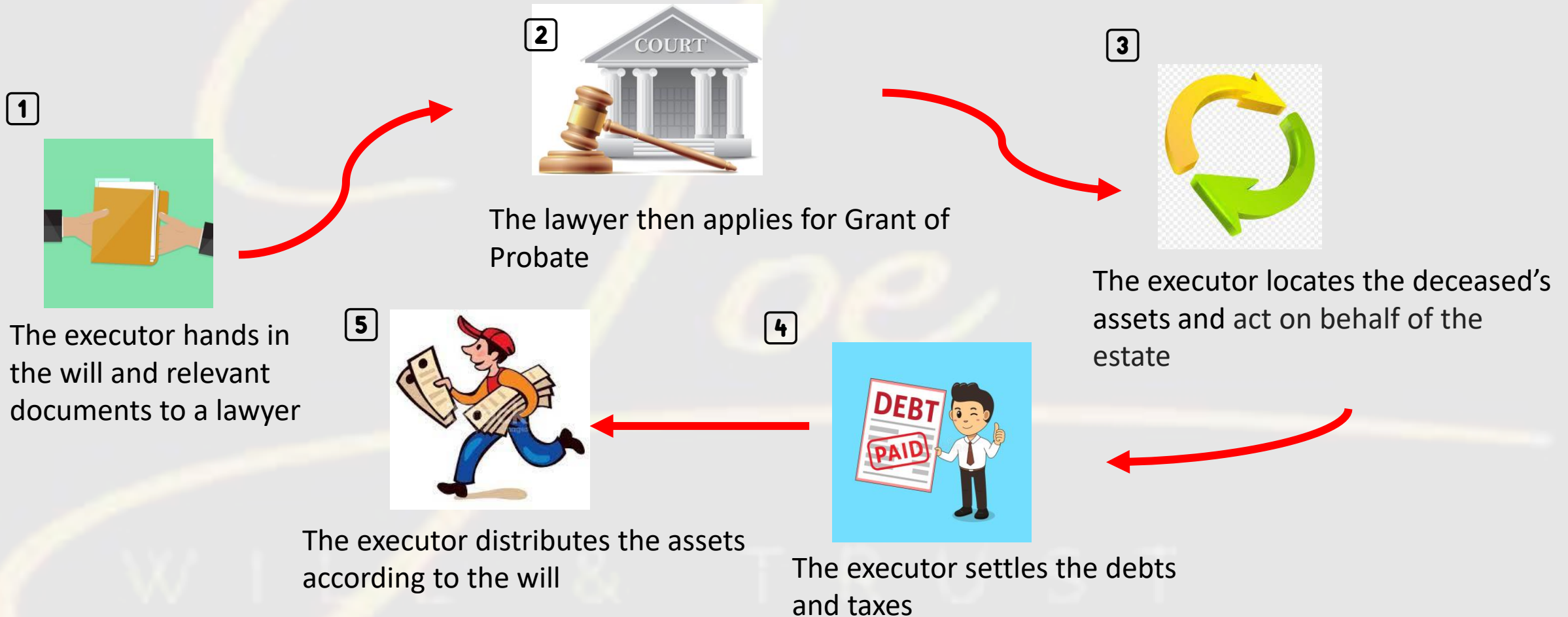
Probate Process

- The surviving family members have to unfreeze the assets. The two possible situations would be:
 1. Testator (A person who died with a will)
 2. Intestator (A person who died without a will)

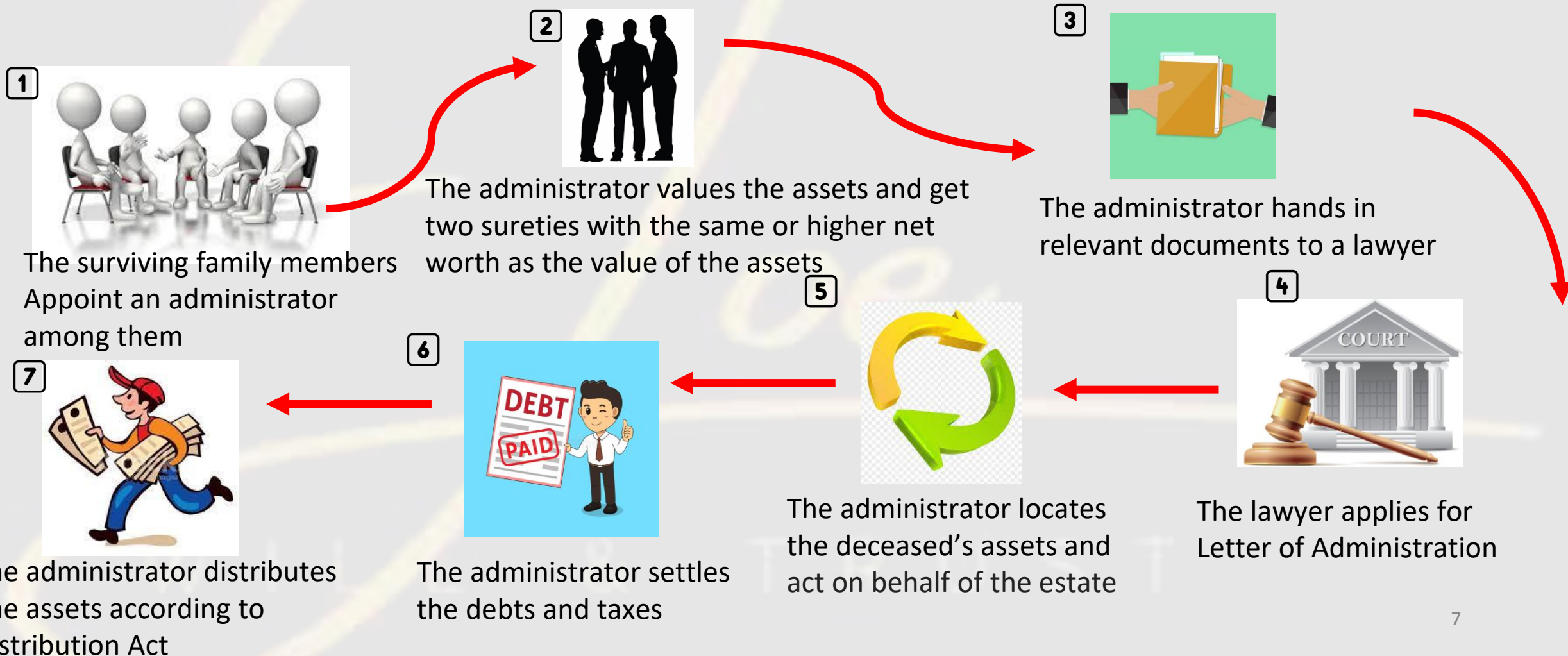
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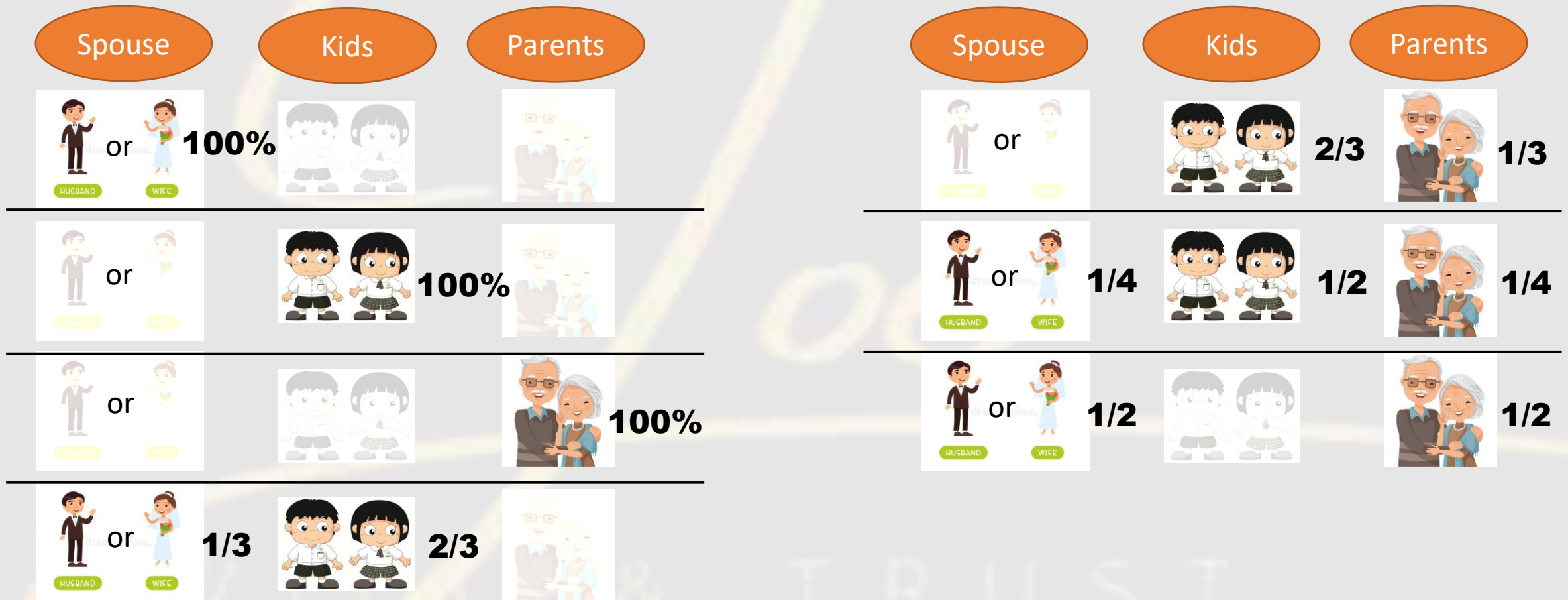
Probate Process (With Will)



Probate Process (Without Will)



1958 Distribution Act (Without Will)



Guidelines for Will Writing

- The following are the guidelines when writing a will:

1. List Down the Assets

A clear list of assets details will make your executor's job easier during the probate process. He or she doesn't have to track down your assets one by one which is a waste of time.



2. Appoint Beneficiaries

Any person or any organization can be appointed as your will beneficiaries according to your wish.



Guidelines for Will Writing

- The following are the guidelines when writing a will:

3. Appoint Executor

Any person or any trust company can be appointed as your executor. It is important to make sure that the executor appointed is trustworthy, experienced and transparent when handling the estate.



4. Appoint Guardian

Guardian is appointed to take care of the surviving minor children in case both parents have died.



5. Safekeep the Will

Appoint two persons to be your witness when signing your will. After the will writing procedure is done, safekeep the will in a place such as a trust company that is secure and easy for your executor to locate it in the future.



A Valid Will

- For a Will to be valid, the following must be fulfilled:
 1. Testator must have attained the age of majority (18 years) at the time the Will is signed.
 2. Sound mind.
 3. In writing, for example, handwritten, typewritten, or printed and can be in any language.
 4. Must sign or thumbprint at the end of the Will.
 5. Attested by 2 Witnesses when signing the Will.

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Guidelines for Will Writing

- If there's no will written:
 - It will be time-consuming to appoint an administrator since every surviving family member has to come to a consensus
 - Getting two sureties with the same or higher net worth as the value of the assets is difficult
 - The assets must be distributed according to the Distribution Act

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Professional Fees

Died Testate (with Will)	Died Intestate (without Will)
<p><u>Grant of Probate Application</u></p> <p>Legal Fees: RM3,000 Filing Fees + Disbursement + SST = RM1,350</p> <p>Estimated total fees = <u>RM4,350</u></p>	<p><u>Grant of Letter of Administration Application with High Court</u></p> <p>Legal Fees: RM4,000 Filing Fees + Disbursement + SST = RM1,500</p> <p>Estimated total fees = RM5,500</p> <p><u>Distribution Order Application</u></p> <p>Legal Fees + Disbursement + SST + Filing Fees = RM3,500</p> <p>Estimated total fees = <u>RM9,000</u></p>

Professional Fees

Transfer of Property

<u>1 Property</u>	<u>2 Properties</u>	<u>3 Properties or more</u>
Estimated legal fees including disbursements = RM4,000.00	Estimated legal fees including disbursements = RM3,500.00 (each property)	Estimated legal fees including disbursements = RM3,000.00 (each property)

Stamp Duty for Transfer of Property

<u>With Will</u>	<u>Without Will</u>
Stamp Duty = RM10	Stamp Duty = Charged based on the property value (Table on the right)

<u>Property Value</u>	<u>Percent</u>
First RM100,000	1%
RM100,001 to RM500,000	2%
RM500,001 to RM1,000,000	3%
RM1,000,000 and above	4%

However...

**These 3 financial tools won't be frozen.
(given the nomination has been done)**



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1. EPF

Members can key in the details of nominees at the online website or submit a hard copy of the KWSP4 Form to KWSP.

It will usually take 1-2 months for the money to be disbursed to the nominees.



2. Insurance

Insurance money falls outside of the estate, so the payout is creditor-proof (provided it's a Trust Policy).

When the policy owner passed away, the beneficiaries will get the money within 2-4 weeks.



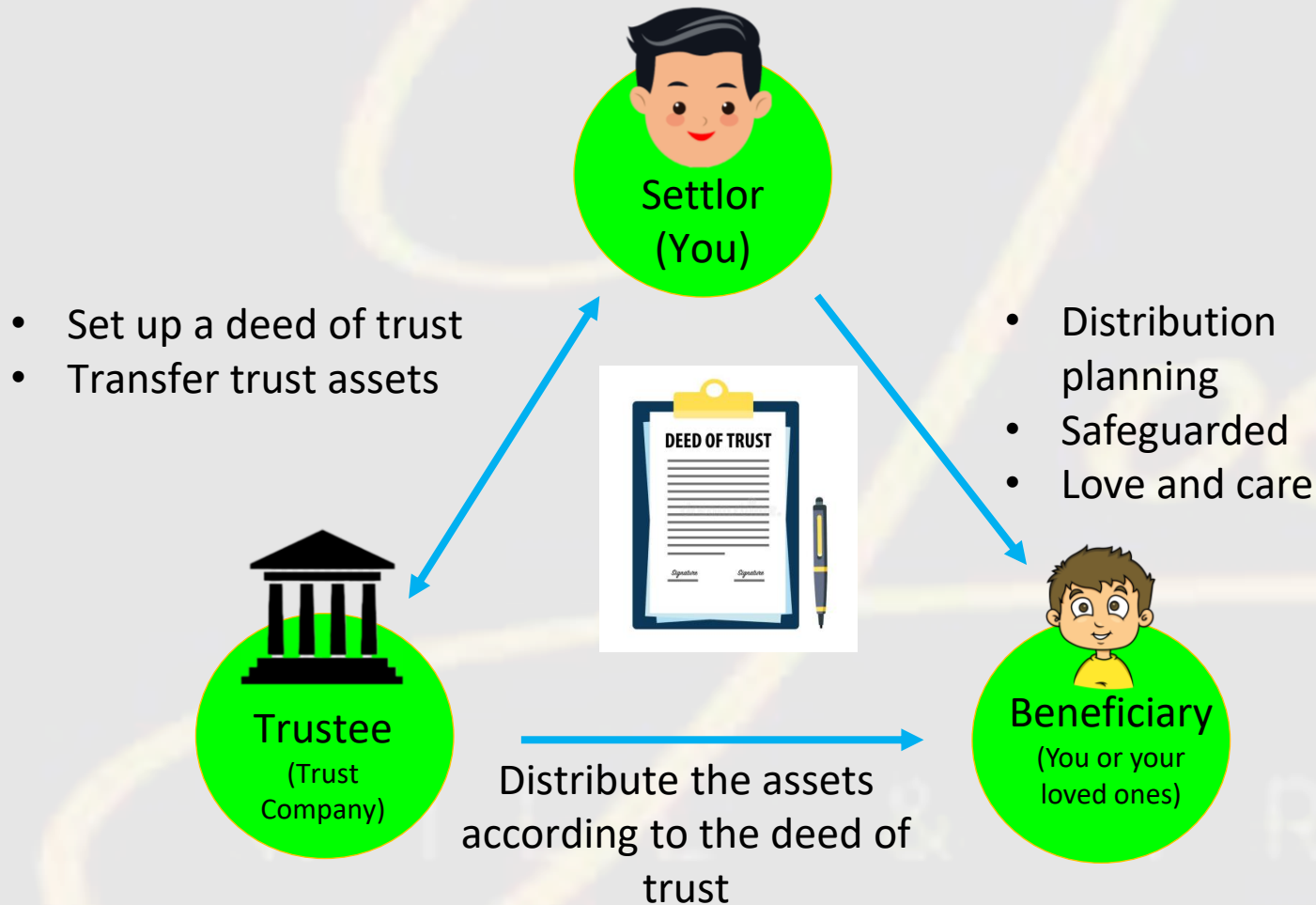
3. Trust

When a trust is set up, the trust company will transfer the assets to the beneficiaries. It is also creditor-proof.

The procedure can be completed around 7 days.

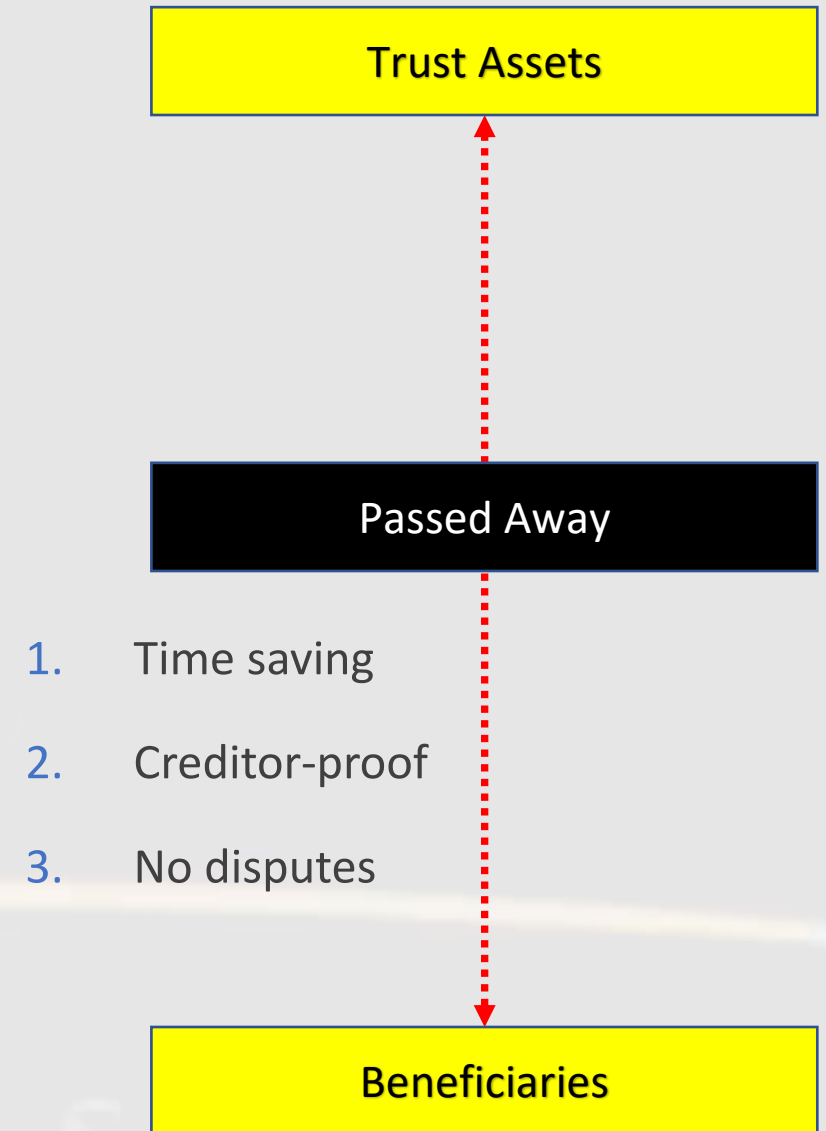
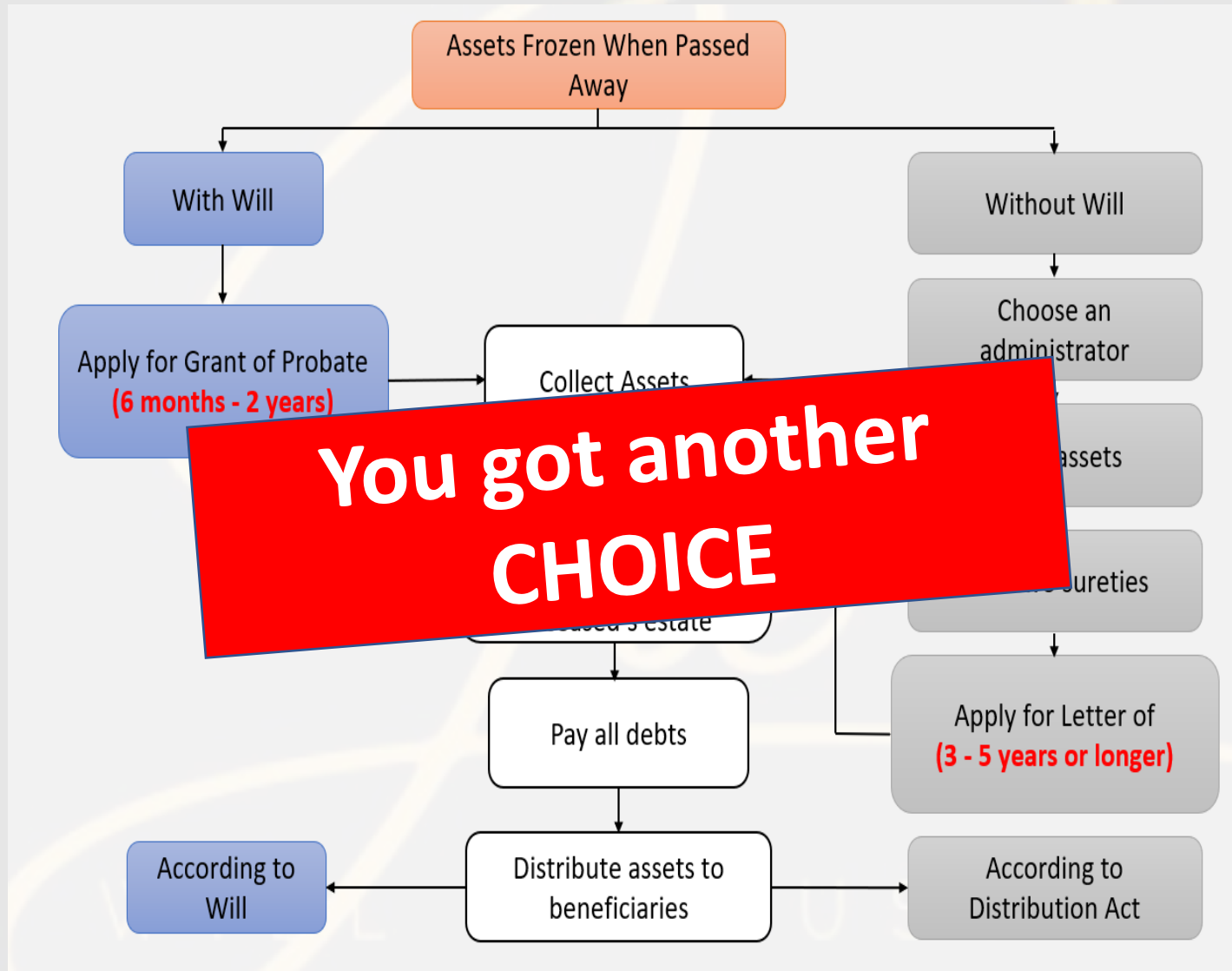


Benefits of Trust



The settlor transfer assets to the trustee using trust. Hence:

1. The assets won't be frozen
2. Creditor-proof
3. Trustee must distribute the assets to the beneficiary according to the deed of trust
4. Distribution is fast since trust assets bypass the probate process



Fund Preparation for Probate Cost

When the assets are frozen, a lump sum of money is needed to unfreeze them. Generally, it's suggested to ***prepare a fund with an estimation of 3% of the value of the assets.***

There are a few ways to settle the probate cost:

1. Insurance

- Leverage insurance by using a small premium for big policy money, let the insurance company take care of the probate cost

2. Trust

- Set up a cash trust and family members will get the money within 7 working days to pay for the fees

3. Family's money

- Family members have to fork out their own pocket money to unfreeze the assets

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The Formula of Modern Wealth Distribution



Insurance + Trust = Insurance Trust

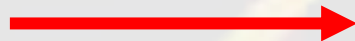
- ✓ Every dollar of yours can be multiplied dozens of times for your loved ones by leveraging insurance
- ✓ Plan your insurance money distribution into regular fixed living expenses, education fund, business capital and etc.

EXAMPLE



Premium

≈50x



Sum Insured



- Regular fixed living expenses
- Education fund
- Business capital

Real Case Study 1

An auntie's mother-in-law has just passed away. The mother-in-law wrote a will in which she only owned a house under her name.

She is a little annoyed with the probate process and said that the house was bought by her husband as a gift to the mother-in-law. Thus, she is unpleasant when her husband has to pay a few more thousand to get the property transferred back to him.

“The will was written for nothing then,” she said.

A: The function of a will is to distribute the assets according to one's wishes. If there's no will written by the mother-in-law, the siblings of the auntie's husband would have a claim on the house according to the Distribution Act 1948. Hence, the will is still working as it is.

There will be cost incurred when applying for a Grant of Probate and transferring property ownership. This is called probate cost and it's charged based on the value of the estate.

The auntie from the case scenario has bought life insurance for her mother-in-law. Hence, the insurance money has settled the probate cost as well as the funeral expense.

Real Case Study 2

Mr. Soon, 50 years old, has an only son aged 24. His son is a big spender yet he hasn't started looking for a job after his college graduation.

Mr. Soon is worried that his huge insurance money will be squandered by his son.

“The money could be all gone in just one day!” he said.

A: Mr. Soon may have his peace of mind by setting up an insurance trust. With the deed of trust, he can decide the right amount of money to disburse regularly (monthly or yearly) to his son as living expenses. Meanwhile, Mr. Soon may also set up a business capital where his son can get a lump sum of money when he has plans to start up his own business in the future.

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Real Case Study 3

Ms. K, 26 years old, is a divorcee with 2 years old twin daughters. She is their legal guardian.

However, she is worried that one day her ex-husband will become the guardian of her daughters if she died young.

“What if he didn’t take care of them and misuse my money? ” she doubted.

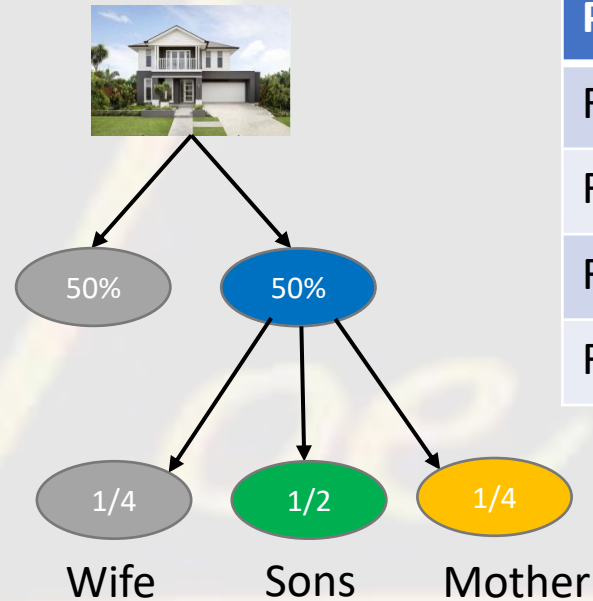
A: Ms. K may appoint a guardian whom she trusts for her daughters when writing her will. She may also set up an insurance trust. The trust company will invest the money according to her risk profile. Her daughters can then get fixed regular living expenses and also education funds at different education levels.

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Real Case Study 4

- Mr. and Mrs. Patrick get a house under a joint name loan. Each of them purchased 50% of the house value's MRTA. Mr. Patrick has passed away intestate (no Will). His mother is still around and he has 2 sons above 21 years old.
- 1. What is the ownership status of the house now?
- 2. The house is worth RM2 million. How much is the stamp duty to transfer Mr. Patrick's house ownership?

A:



Wife(25%),Sons(50%),Mother(25%)

Property Value	Percent
First RM100,000	1%
RM100,001 to RM500,000	2%
RM500,001 to RM1,000,000	3%
RM1,000,000 and above	4%

Stamp duty charged to transfer Mr. Patrick's house ownership is RM32,000.

With Will, stamp duty will cost only RM10

Summary

- Understand the function and importance of will writing
- Understand the guidelines for writing a will
- Prepare sufficient money for the probate cost
- Build a smart legacy planning using trust

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