

Coronation Trustees – Tips for Estate Planning

Estate planning is more than just a will, don't bequeath confusion and cost

Estate planning allows the full financial services ecosystem to be accessed and deployed in respecting and carrying out your intentions after death. Estate planning also prevents your beneficiaries inheriting confusion and costs after you have gone.

In an increasingly globalised world, individual ownership, liquid and illiquid assets and fixed property are seldom arranged neatly in one jurisdiction. Often, when people die, heirs are left to unravel a complex web of ownership in jurisdictions and territories with laws, customs and legislation very different from Nigeria. The answer is an Estate Plan.

At its most simple, an estate plan could merely be a standard will. A Will is important as, without a Will, a deceased's assets are distributed according to the compulsory succession rules of the country in which the assets reside. In Nigeria, this means that the assets are divided equally amongst the legitimate male and female heirs of the deceased. In many other countries, for example, a spouse is automatically entitled to a quarter of the estate, and children may not be disinherited. Without a Will, clearly stating the deceased intentions, a deceased wishes may well not be respected after death, especially if these intentions are in disagreement with compulsory succession laws.

As such, wills certainly have a place - and can serve a purpose - in an estate plan.



A Will alone, however, may not be an effective estate plan. In fact, a Will can often delay and complicate an inheritance process, especially if the Will is not written with a broader view of the deceased's full assets and intentions. A Will, for example, is required to go through a probate process. This can be time-consuming and expensive. And, if a Will is contested, this may unintentionally saddle intended beneficiaries with extensive legal and administration costs stretching over many years.



A professionally advised Estate Plan can avoid these pitfalls. An Estate Plan can be different things for different circumstances. Depending on need, for example, an Estate Plan could involve a Will, a Trust, or a combination of a Will and a Trust. An Estate Plan could even involve forming a Foundation to administer various Trusts and Wills across different territories.

Just as compulsory succession laws differ between countries, so do asset and inheritance taxes. This is where a comprehensive and planned view of a deceased's entire asset and intention universe becomes relevant.

In Nigeria, for example, assets in a Trust can avoid inheritance tax. If, however, a separate Will also exists, this will attract inheritance taxes to these assets as they will then be required to go through a probate process. In this instance, preparing an Estate Plan well before death would avoid the situation of a Will defeating the purpose of a Trust.

Also, from a Nigerian insurance perspective, a deceased's policies can only be paid out once a Will has gone through the probate process. Since this can be a very protracted process, the intended beneficiaries of the deceased's policies might have to wait years before receiving their pay outs. Trusts, on the other hand, listing named beneficiaries can receive insurance payouts. In this instance, having an Estate Plan recognising the deceased's various insurance policies and making provision for a Trust to receive these policies, ensures that the intended beneficiaries of the deceased's policies are paid out immediately.

In addition to acting as viable and effective tools for transferring assets, Trusts – in Nigeria – also equip estate planning processes with important protective features. Trusts, for example, are confidential, not subject to probate processes, and their detail and content cannot be easily contested in court.



Since Trusts can be set up well ahead of death, Trusts can invest, by buying bonds or joining mutual funds, for example. In short, Trusts can operate as fully independent legal entities. This is important after death. Since a Trust doesn't die, a properly constructed Trust can continue to carry out the intentions of a deceased, uninterrupted - if not subject to a Will or probate process, that is.



Many Muslim Nigerians don't believe they need Estate Planning since the Quran already prescribes the order and quantum of inheritance. While this is indeed the case, Sharia-compliant Estate Plans ensure that the inheritance terms laid out in the Holy Book are performed correctly in accordance with Sharia law in the various territories in which a deceased's assets may reside.

Since laws differ between countries, an Estate Plan is essential in ensuring that what you intend with your assets after death is actually achieved in all the jurisdictions in which your assets reside.

Once someone has passed away, it is too late to go back and amend a Will, create a Trust, establish a Foundation or sell investments or property in other countries.

A professionally constructed Estate Plan correctly liquidating or allocating every asset in every jurisdiction strictly, and legally, in accordance with the intentions of the deceased is the best guarantee of an effective inheritance process. An Estate Plan will also ensure that your heirs don't spend years in court or suffer the inconvenience and hardship of delayed settlements or hefty legal and administrative costs.

The future is secure with an Estate Plan.

For more information, visit us at www.coronation.ng/institutional/about-us/trustees