

Succession Planning – An Inevitable Requirement

In the circle of life and death, succession is certain. Although the wealth belongs to successors, it is important to make the wealth available in proportion to their necessity and preserve the balance for the security of future generations. It can be achieved through various ways such as gifting of assets, drafting wills , formation of private trusts , family arrangements etc.

Further succession plans are specific to the needs, dynamics and long term objectives of each family and therefore, the plan needs to be communicated effectively to family members and also to key executives who are active in family businesses.

One also has to also keep in mind the regulatory requirement while creating a succession plan. For instance, where a listed company is involved, securities regulations are required to be complied with. Similarly, if family members include non-residents, the applicable foreign exchange regulations shall need to be adhered to.

Below are list of tasks that can help you in making a hassle free succession plan:

1. Identification of assets and liabilities

- Begin to itemize the ownership of assets along with identification of all physical documents and location of such ownership documents.
- Make a list of debts
- Initiate conversation with spouse relating to all identified assets and debts

2. Appointment of Nominee and Joint Holder

- Ensure that all assets such as Bank accounts, Demat accounts, PPF accounts etc have joint holders and nominees to ensure smooth flow of wealth from one generation to another and that the assets are given to the intended successor.

3. Make a note of Passwords

- One should make note of passwords used for online banking, Income Tax login, Demat and Portfolio login etc and such details should be known to close family members.

4. Draft a will

- One can write a WILL by oneself. However, the WILL must be dated , signed and witnessed formally before two witnesses of sound credit worthiness
- The directions mentioned therein should be clear and unambiguous
- However, it is always advisable to seek professional assistance while drafting a WILL so that the intention is clearly communicated to the beneficiaries so that there is no ambiguity later on.
- Also, make sure other people know the location of the will so they may access it when needed.
- WILL should be reviewed periodically and definitely on demise of any beneficiary or executor mentioned therein.

5. Formation of Private Trusts

- Due to frequent disputes amongst legal heirs over WILLS and complexities increasing, formation of private trusts are gaining importance amongst Indian HNIs.
- Private Trust being discretionary or specific in nature, are becoming the need of the hour not only for High Net Worth Individuals but also for individuals who wish to preserve wealth or to achieve specific objectives such as provision for needs of special child and to provide security for future generations in a controlled manner

While none of us likes to think about dying, the fact of the matter is that improper or no planning can lead to family disputes, assets going into the wrong hands, long court litigations and huge costs incurred unnecessarily. Therefore, it's important to have a succession plan in place well in time.

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