

The New Heir Managing Your Inheritance

Receiving an inheritance can be overwhelming without the right know-how.

WManaging an inheritance can be life-changing, and for many people, it can open up many new possibilities. The biggest question one would probably face, therefore, is how your new inheritance should be managed to benefit you the most.

Whether wealth management is something you're familiar with, or whether your inheritance suddenly puts you in an entirely new financial situation, receiving a substantial amount of money or a property can be overwhelming if you don't know what to do with it.

With that in mind, *Smart Investor* spoke with experts to give you a clearer understanding on managing your inheritance.



Saw Leong Aun

SET UP A TRUST

**SAW LEONG AUN,
ROCKWILLS GROUP
MANAGING DIRECTOR
AZHAR ISKANDAR HEW,
ROCKWILLS TRUSTEE BERHAD
DEPUTY CEO**

If your inheritance comes in the form of cash or property, the best way to handle an inheritance, from the perspective of the heir, would be to cooperate with the executor or trustee on obtaining details required for probate application and to track the progress of the estate.

Upon receiving the inheritance and if the inheritance comes in the form of cash, one option is to

set up a trust with a professional trust company. You then execute a trust deed in which the terms for the use of the cash can be clearly written down.

At the same time, the heir can also mention who should inherit the cash and how it is to be distributed, should anything happen to him. This way, the heir or settlor of the trust would have control over the distribution or usage of the cash.

Some of the main instructions in the trust can include directing the trustee to pay for the settlor's maintenance, medical bills, children's education and family's living expenses on a regular basis. By doing so, the money will not be



Azhar Iskandar Hew

given to anyone in one lump sum which can be wrongly invested or misused.

Of course, another advantage of a trust is that unauthorised persons will not be able to touch the cash, as only the named beneficiaries can receive the money.

IT'S ALL ABOUT PRIORITIES

KENNEY KHEW, CFP
PHILIP WEALTH PLANNERS

Upon receiving your inheritance, you should, first of all, list down all your financial goals and prioritise them according to your preferences.

Put aside an amount (at least 6 months of your gross salary) into an Emergency Fund. This is recommended, as you would then have money to fall back on in the event of an urgent matter that is out of your control.

With the cash you should also pay off your debts, including your credit card debts, outstanding housing loan, car loan, student loan and any other personal loans.

It is also recommended that you put aside an amount of money for your children's education fund according to the calculations made based on future values of tuition, transportation, living, and course fees. In this case, you must also take into consideration the inflation, as well as exchange rates.

Be sure to also purchase a term life insurance of up to 80 years old. The rule of thumb is

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Kenney Kew

for the sum insured to be 10 times your annual income. A medical insurance plan is also important in this context. By doing so, you will be able to protect your assets against mishaps as to

not affect your future plans.

The remaining money can further be used to invest in properties. You can rent out these properties to earn extra income, and what's more, this is a form of passive income that would benefit you in your golden years.

I JUST INHERITED A PROPERTY – NOW WHAT?

GOR SHEAU SHUENN, CFP
BLUEPRINT PLANNING

If you're lucky enough to receive an inheritance, you should



Gor Sheau Shuenn

consider what the assets are, and how much you will be receiving. In my opinion, if cash is the legacy you've received, it should be invested in a proper mixture of different

portfolios, as otherwise, liquid assets are bound to be spent too frivolously.

However, if the inheritance you

will receive comes in the form of a property, there are a few factors that need to be considered:

- Has the mortgage of the property been paid off in full; if not, what is the loan repayment amount?
- Is the property currently being rented out? If so, is the rental yield positive?
- What are the appreciation possibilities of the property in the future?
- Who is going to manage the property, and will the return be able to cover the maintenance cost?

If all answers to the above questions point to a resounding 'yes', the property will be all the more attractive as you will receive rental income and capital gain for the disposal of the property.

At the end of the day, however, it doesn't really matter whether the legacy you'd inherited comes in the form of cash or property; all that matters is how the legacy can assist you in shortening the period of time you will need to achieve your financial goals.

THE FINANCIAL PLANNING FACTOR

KEVIN K.M. NEOH, CFP
VKA WEALTH PLANNERS

It is perfectly normal to do nothing while you consider what to do



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with your inheritance. Ride out the emotional period and contemplate what you hope to achieve from this fund or inheritance with a clear mind to avoid mishandling or making poor decisions. Even if it means waiting for a couple of years as you do some soul-searching, go for it.

Should you be the sole beneficiary of this inheritance, why not consider investing or



Kevin Neoh

managing it based on your financial plan, or in a manner that will support your life goals and values? Proper management and budgeting is important to ensure that the windfall will not be squandered unnecessarily.

While you sit on your inheritance, however, it is also important to note that inflation will erode the purchasing power, and therefore, the need to find

an instrument that can yield at least above inflation rate is important because it tends to shield the inheritance from being eroded by inflation.

All in all, don't change your plan or your spending habits just because you have received an inheritance. In fact, try to use this as an added advantage to help you realise your life and/or financial goals.

MAKING THE MOST OF YOUR INHERITANCE MONEY

**YONG CHU EU, CFP
FIN FREEDOM**

Your inheritance can be divided into 3 parts:

a) Untouched – this portion of your inheritance money can be put into liquid investments (property, insurance, PRS or EPF) and locked down;

b) Investment, which is done according to your risk profile and availability of knowledge and time; you can also purchase stocks or Unit Trusts with the purpose of growing the money, or use this portion of the money to start a business in a field you're passionate about;

c) Spend – upgrade your lifestyle with comfort, quality and safety in mind, further your studies, clear off your debts, travel, or give back to the community. **SI**



Yong Chu Eu