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watchout

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WATCHOUT IF THE SPOUSE DIES!!!

It is common practice for business persons not to have all eggs in the one basket and for the family home to be either owned jointly or wholly by the spouse who has nothing to do with the business.

This asset protection strategy can be undermined if the home owning spouse dies and leaves all assets to the surviving spouse, the business person. Further, a deceased persons interest in a jointly owned home will automatically pass to the surviving joint owner.

We recommend that business owners seek advice on owning a policy of life assurance or endowment assurance on the life of their spouse. In the event that a spouse dies, monies received from the life assurance policy are protected and not available for creditors should the business owner become bankrupt at some time in the future. Monies from the life assurance policy can be used to protect the family home from creditors if ever the business owner needs to become bankrupt.

Where assets are purchased with the funds received from the life assurance policy it is necessary to keep all financial records to be able to evidence the purchase of the asset(s) with those monies. The assets purchased will then be protected should the business owner become bankrupt at some time in the future.

We note that policies against accident or ill health which also provide death benefits in the event of accidental death are not "policies of life assurance". Consequently monies received from the death of a spouse are not protected by the Bankruptcy Act.

We recommend that business persons obtain advice on the life assurance policies they hold on their spouse's life to ensure that if ever funds are received from the policy, same will be protected should the need arise for bankruptcy.

Watchout Newsletters can be accessed from www.nichollsco.com.au

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