Break in Case of Emergency!
Financial Planning in the Case of Bereavement or Loss of Breadwinner

As the saying goes, there are two things in life one is assured of - death and taxes. Whether we choose to face the inevitable now, soon or a whole lot later, everyone's time will come some day, somehow, and we need to prepare for it now. Macabre as it may be, facing and planning for the inevitable sooner, allows you to enjoy the greater part of your life, with peace of mind.

The last thing you want when someone dies or is incapacitated is to worry about what the financial future beholds. Likewise, when your time does come, the last thing you'd want is to leave your loved ones sorting out your finances and paying the bills, especially if you were the sole breadwinner or have a legacy of children left behind.

The course of life is unpredictable; No one can write his autobiography in advance. For the sake of your loved ones, it's time to start planning for the worst-case scenario. It's about giving comfort to those whom you love and not having them to worry about anything else. Here are some plans to make while you still have time to.

Make a will. Write up your will clearly and accurately, as any mistakes will make it tougher for the accurate distribution of your assets. On top of that, find a few trusted friends to be the executors of your will. They will be legally responsible for carrying out your wishes accurately and according to what you have written. The will ensures your assets and properties get distributed to your beneficiaries in the portions you want them to receive.

Start an Emergency Fund. Save up six months worth of income in a joint account with your partner, only to be used in the case of an emergency. Also, consider establishing a stand by line of credit that is not to be used unless in an emergency. A vacation is NOT an emergency. This will provide a buffer for your loved ones at least for the transitional stage, giving them time to get things settled and find alternative sources of income in this transitional stage.

Start a trust fund for your children. The importance of a trust fund is that creditors cannot touch any of the money in the trust, unlike the money placed in your bank account. It ensures any money that has been set aside for your children, the beneficiaries, will go to them, and cannot be touched by creditors looking to claim back money. Therefore, your children or beneficiaries will have an amount of money to sustain them for the future should anything happen to you. However, make sure you appoint a trusted friend or party to be the trustee and be the executor of your trust fund.

Keep a copy of your updated credit report. It might come in handy in the future for your partner should they need to repay any loans for you. A well-maintained good credit report and credit line would give your partner some help in the future should she have to repay any debts incurred.

Create an index of financial commitments. List down the financial commitments you still have, who they are with, how much is owed or how much they owe you, and the deadline of repayment. Should anything happen, your dependents could sort things out with the lenders and inform them of the situation, preventing more trouble from the lenders.

Get an insurance plan that is suitable to your dependants' needs. You have many choices of insurance plans to choose from, varying from whole life insurance to medical benefits insurance to investment-linked insurance. However, pick a policy that will present the least risk, ensuring your loved ones and beneficiaries do get some financial aid from the policy. The purpose of an insurance policy is to ensure it provides your beneficiaries with some form of financial relief should anything happen to you, giving them time to make the transition from having you as a sole breadwinner to them being the main source of income. On top of that, ensure you do not under insure yourself. A recent NTU study shows Singaporeans are definitely under-insured and unprepared to cope with the burden of losing a loved one on whom they are financially dependent. Lastly, structure the policy so that it is written into a trust. That way, it will protect the proceeds from taxes and your beneficiaries can enjoy the maximum amount from the payout.

Store and inform someone where the important documents are. In times of turmoil and confusion, it would useful if a member of the family is aware of where the important documents are, such as insurance policy papers, bank statements and the keys for safe deposit boxes.

The loss of a loved one can bring an unexpected financial toll on the loved ones who are left behind. Especially if you were the sole breadwinner of the family or leave behind children, there is an even more vital need to start preparing for 'that day' when they no longer have you around to support them.

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