

Staying Connected

For the Alumni of the ECCB's Savings and Investments Course



FINANCIAL FITNESS

Avoid designating an irrevocable beneficiary on your life insurance

When naming a beneficiary on your life insurance it is advisable to insert a clause "I reserve the right to change the beneficiary that I have named in the application at any time". Without this, you may not be able to make changes to this designation without getting the named beneficiary's permission."

If, for example, you wanted to assign your life insurance to cover a loan where the beneficiary is a minor child this could prove problematic as the child would have to be of legal age to give consent.

Update your beneficiaries

Have you checked your beneficiary designation on your life insurance? If not, you may find that your designated beneficiary is not who you think it should be, especially if you have divorced, remarried or had children since your plan was established.

Live strategically, plan thoughtfully.

With the Federal Reserve lowering the federal funds rate to 2.25 and the discount rate to 2.2 in March, it has clearly chosen to continue to focus on growth over inflation in an attempt to prevent a recession.

The argument over which is worst; a recession or

inflation has for months been a heavily debated topic.

Lowering interest rates precipitates a US dollar sell off as overseas investors flee US financial markets and seek to deposit their monies elsewhere, where they can secure higher rates. Additionally, oil and other



Who Will?...

The Importance of Making a Will

"I will make a Will. I will." When? sometime soon ..

We are all aware, some of us vaguely, others more, that a will can assist in alleviating several problems relating to the distribution of our assets when we pass on to "greener pastures". Without a will, the court takes charge in accordance with the laws of intestacy.

In the Federation of St. Kitts and Nevis, these laws state that if there are a surviving spouse and children, the surviving spouse receives all of the personal effects of the deceased (e.g. furniture, clothing) plus 10% of the estate.

The remaining ninety percent is divided among the children and the spouse: 50% divided equally among the surviving children while the spouse gets a **life interest** in the other 50% of the remaining estate. On the death of the spouse, the property passes to the surviving children.

The laws of intestacy also specify the order of inheriting the assets of the deceased:

- In the event that there is no spouse the assets would go to the surviving children or their issue;
- if no surviving children or their issue, the



Participants at the Wills Seminar organised by the ECCB for the Alumni of the Savings and Investments Course

estate would go to the surviving parents and so on...

Keep in mind that spouse refers to a "legal spouse" since common law arrangements are not recognised under the laws of St. Kitts and Nevis.

Considering all the above and the fact that we all work so hard to amass the

Growth vs Inflation

commodities prices rise as investors flock to these as a hedge against a weakening US dollar, falling equities and rising inflation.

Here are the views of a few bloggers as far back as last year when the Fed cuts began, as well as an extract of a recent interview with

finance professor Jeremy Siegel, and author of *The Future for Investors*.

Posted by: [Antunes](#) | Sep 14, 07

The USA cannot solve its own economic decline without reference the rest of the world.

If the Fed drops rates to

Making a Will *Cont'd*



Magistrate Mallalieu Webbe facilitating the discussion on "The Importance of Making a Will"

Besides ensuring who should get your property when you die, a will ensures peace in the family.

assets that we own, we need to ensure that our assets go to the persons who we would like to benefit from our life's work.

Based on this simple logic, all of us should have a will. Sadly many of us don't. Why not? Is preparing a Will that complicated? Can't we just write on a paper "I leave all of what I have to John and Jane?"

Unfortunately passing on assets is a little more complex, according to St. Kitts and Nevis Magistrate, Mrs Josephine

Mallalieu-Webbe.

Notwithstanding, she fully supports preparing a will, "besides identifying who should get your property when you die, a will ensures peace in the family" she advises. Coming from her vantage point of front row seat to family strife and confusion created over the distribution of the assets of a loved one, we are inclined to agree with her.

Magistrate Mallalieu-Webbe is quick to put to rest the following mistaken assumptions about who should be the beneficiary of a loved one's estate:

- "I took care of the funeral expenses, so I should get the assets". Your benevolent acts do not make you the beneficiary.
- "She told me that this would be mine after she passed". Oral statements regarding the distribution of assets are not legally enforceable.
- "I don't need a will; if I die everything goes to my spouse". This is not so. Dying without a will, even if one is married is to die intestate.

She also cautions against putting off making a will until we are married or have children. Her advice is that

Growth vs Inflation *Cont'd*

appease bad borrowers and negligent lenders, it will pay the price of the USD sinking further against the EURO and GBP. So what you may say?

Well OPEC prices are listed in USD - and those OPEC guys are madd. Every time the USD sinks lower they get less on conversion. They want to price in EUROS - so do the Russians and Chinese. If this happens (and the US like most of the West has no manufacturing to fall back on) the USA will suffer far more than a recession - more like a deep depression. No wonder OPEC keeps holding back on supply.

The Fed, ECB, BoJ, BoE cannot act in isolation as risk is now spread globally. If they do act in isolation, which appears to be the case, then capital will fly to quality.

Posted by: [John](#) | Nov 1, 2007

What is wrong is that we borrowed to build houses and buy cars, not to build companies, to build products

to market..... Everything points to a lower standard of living in a world where commodities are more and more expensive to produce.

This is an age where values that developed during the Depression will reemerge. It is now an age of frugality and fear, an age that balances out our past drunken optimism and shopaholic status driven tendencies. We will learn to cook, not to eat in restaurants. We will learn to eat beans, and skimp on chicken. It will be a quieter life. It may go on for years, but we will formulate new values to guide us as we now see the world framed by scarcity and react by saving, rather than abundance fueled by credit.

Jerry Siegel—Interview Extract 03/08

Knowledge@Wharton: What are the implications for international markets?

Siegel: Well, the falling dollar is a concern..... I worry that the international community has not lost faith in the Federal Reserve or in Bernanke in terms of fighting the downturn, but in terms of fighting inflation and giving up on the international value of the dollar, and I think that is driving them.

Since we've talked a couple of weeks ago, the dollar has gone down even further, commodity prices have risen, and oil is now at \$110 and going higher. That is my primary concern. I think that is a bigger concern than Bear Stearns and the others. Those have hit the headlines.

But what is happening to the dollar, and what's happening to commodity prices, has a deeper

meaning. I'm afraid that it's just going to give an upward pop of inflation, which means that Bernanke will then have to turn back from these cuts and in fact raise rates later on. So, if he came out against inflation now, I don't think that he would have to raise rates as much later on. If he voices his concern, he can break the commodity bubble and save higher rates later on.

At this particular juncture, I am waiting for the market. We just got these cuts today. We'll see what happens on the commodity markets. But if they continue to rise and the dollar continues to fall, Bernanke is going to have to say, "We now don't believe any more cuts are needed, or are desirable for our economy."



Making a Will Cont'd

all of us should make a will as soon as we start to accumulate assets, and then make a new one (tearing up the old one) as circumstances change.

This then brings us to the issue of what to include in the will. The first step towards preparing a will is answering the question; "Do we have anything of value that can be passed on?" An inventory of our assets (real estate, bank accounts, term deposits, bonds and other securities, cars) and liabilities (bank loans, accounts payables, etc) will provide the answer.

The need to focus on our assets is pretty clear but why the focus on liabilities? For the simple reason that creditors are paid from the proceeds of the estate of the deceased before any distribution is made to the beneficiaries.

No doubt that this exercise can make a person feel anxious. But taking inventory of our financial situation is necessary to give us focus and puts us in charge of our finances. Consider it to be as necessary as our annual medical check-up...this is a financial check-up. If our financial check-up reveals that we do not have any assets...then this should be a wake up call to improve our financial situation.

Once we have a clear view of our finances, we next have to identify which assets can be passed on through a will. Note well that there are assets, that cannot be dealt with in a will, for example, assets held in "joint tenancy", which means that if one of the owners dies, the remaining owners acquire the share of the deceased owner automatically. Also, proceeds from a life insurance and monies in a pension plan for which there is usually a named beneficiary are contractually spoken for,

and hence ownership cannot be passed on through a will.

So what assets can be included in a will? Such assets would include property where the owner is the sole owner and property held in "tenancy in common" i.e. each party's interest is preserved and hence the owner of the property can leave his share of the asset to anyone he or she wishes.

Having done the inventory, it is now time to write our will.... Can we do it on our own and in so doing avoid legal fees? or do we have to seek the advice of a lawyer? "*Seek legal consultation*" advises Magistrate Mallalieu-Webbe. "*When you are finished preparing your Will, it is advisable to have it reviewed by a lawyer*". The rationale...legal advice could avoid errors that could render a will defective, subsequently creating legal problems that could be more costly to resolve than the cost of the legal advice.

Across the Eastern Caribbean Currency Union the legal costs vary:

In Montserrat: the average legal cost to prepare a Will is \$500 and \$1,500 to probate a Will. Note, however, that probating goes up in percentage steps according to the value of the hereditament.

In St. Lucia - The average legal cost to prepare a Will is \$500 and \$2,500 to probate a will plus 5% on the value of the property.

In St. Vincent and the Grenadines, the average legal cost to prepare a will is \$345. The cost to probate a will depends on the value of the

estate. e.g.

- **less than \$25,000** fees \$1,000
- **\$25,000 to \$50,000** fees \$1,000
+ 7.5% of the difference
- **\$50,000** fees \$2,875
- **\$50,000 to \$100,000** fees \$2,875
+ 5% of the difference
- **\$100,000** fees \$ 5,375
- **Above \$100,000** fees \$5,375
+ 3% of the difference

In Grenada, the legal cost to prepare a will ranges between \$150 - \$500 based on the complexity of the will in terms of appointment of trustees. The cost to probate a will is calculated using a 2% value of the property.

Additionally, where a legal aid office exists, the associated costs are usually significantly lower than those of a private law firm. In Dominica, for example Legal Aid charges \$150.00 each to prepare and probate a will.

Magistrate Mallalieu-Webbe gives important pointers in the preparation of a will:

- **Appoint an executor.**
Executors are responsible for carrying out our wishes and for sorting out the estate. Have at least two, in case one dies. Having more than one executor also provides for checks and balances. The executor can be a beneficiary to the will.
- **Begin by identifying who you are, and the purpose of the document:**

"This is the last will and testament of Janet Pamela Smith, of Dusty Ground, Nevis."


- **Include a clause to revoke any earlier wills:**

"I hereby revoke all former wills and other testamentary depositions made by me"

Making a Will *Cont'd*

- **Avoid ambiguity.** Be specific in identifying each property and associated beneficiary.

X "I hereby bequeath my land to my cousin Jane"

 "I devise and bequest my property of 10,000 square feet of land, Lot number 4, located at Inkwell Heights, St. Kitts Nevis to my cousin, Mrs Jane Brown formerly Jane Smith"

- **Sign and date the will in the presence of two witnesses.** A will is only considered legally binding once it is properly signed and witnessed. Witnesses should be present and signed at the same time. **Caution** - Witnesses to a will cannot be beneficiaries. This would invalidate the gift to the witnesses.

Having made our will and secured it properly in a safe location where it can be easily retrieved by the executor(s) we may think that most of the work is done. However, after we die, carrying out our wishes requires more work and the payment of fees to probate the will. Probate is the process by which legal title of property is transferred from the decedent's estate to his/her beneficiaries.

Sounds as if it might be better to die without a will! No will....no fees. Unfortunately with or without a will, probate fees apply once there is an estate to be distributed.

We could however register the title of everything we own as joint tenants – *land, house, car, savings and investments?* In

this way there would be no need for a will and no costs associated with probating the estate since the property transfers automatically to our surviving joint tenant.

The Magistrate advises that while this is an option, we would have to carefully consider the issues of "trust" and "what ifs".

- What if we wanted to change the title of a property that was registered in our name and that of our child who turned out to be a drug addict? or What if we wanted to take off our child's name from the registration title? This could not happen without the authorisation of the child.
- What if we were no longer on speaking terms with our sibling who had not made any financial contribution to the acquisition of our property but who was listed as a joint tenant?

What If...? What If...? This chorus rings out loud and quickly gives way to the realisation that while it may cost to prepare and probate a Will, it might cost much more to die without one. Who will?.....

The issues identified in this article are based on the session "**The Importance of Making a Will**" organised by the ECCB for the St. Kitts and Nevis alumni of the ECCB Savings and Investments Course and facilitated by St. Kitts and Nevis Magistrate, Mrs Josephine Mallalieu Webbe. Similar sessions are being planned for the alumni in other ECCB member countries.

My husband and I attended the ECCB's course in June 2007. We thought this was a golden opportunity to increase our knowledge and become better managers of our finances.

Our expectations were surpassed, however, as we learnt much more than we had expected. From as early as our first lecture, we were armed with information that would change our financial future forever.

With an increase in our financial knowledge we were able to approach our bankers

Reaping Dividends from the ECCB Savings and Investments Course

By Ppearlette Hammarway

and secure a reduced interest rate on our mortgage. This resulted in a reduced monthly payment and knocked five years off our repayment time.

CURIOUS? This is how we did it. First we wrote a letter to the Branch Manager explaining our desire to increase our monthly cash flow in order to make some investments.

We were then given an appointment to meet with a loans officer to further discuss our intention. During

the discussions we highlighted the fact that the current interest rate for mortgages was less than what we were paying and we also expressed our loyalty to the institution.

Our concerns were taken to the Branch Manager, who later informed us that we were successful in securing a reduced interest rate.

We certainly wish to thank the visionaries at the ECCB for giving us a chance to become more financially savvy.



2007 Graduates—St. Vincent and the Grenadines

An investment in knowledge always pays the best interest.
Benjamin Franklin