

Building Your Financial Pyramid – Series VI (Level 5 Wealth Distribution)

To reach the top, you need to take all the small steps designed in the process rather than merely focusing on the end result. By applying a similar approach to your finances, you can prioritize what are the most important responsibilities and put that in order as per your life goals.

Now as your pieces of the financial pyramid are in place you have managed to reach the peak of the pyramid. This is the level where you can relax and enjoy as you have put efforts earlier at building financial securities are in order. You may be able to retire and start living off the income from your investments. You might have more money available to travel, with your children grown up and your mortgages paid off.

You can fulfil those items on your wish list for which you had neither money nor time during your working years, like touring Europe or buying a vacation home in the mountains.

At this point in time where you have reached the peak you need to design your estate and succession plan:

Estate Planning:



Estate is everything that one owns in the form of assets and owes in for of liabilities and responsibilities. It essentially means to decide how your estate will devolve upon your loved ones post your demise. Most of us believe that nomination and joint ownership is a way of estate planning. However, both these means are usually ineffective and legally disputable. It is important to know that nomination and joint ownership are both superseded by succession laws. Most family disputes have arisen owing to nomination / joint ownership being different individuals compared with legal heirs. Therefore, having a legal will in place is a must.

Estate planning helps you to avoid the below circumstances:

1. Avoids any disputes within or outside the family
2. Avoids any transmission loss
3. Ring fence personal assets to avoid claims/litigations in the future
4. Ensure a smooth distribution of wealth as per your desires rather than any statutory disposition
5. Safeguard interests of dependents and an opportunity to assign guardians for minors and incapacitate beneficiaries
6. Inheritance tax planning and
7. Philanthropy.

Succession Planning:



Succession planning refers to appointing the right person at the right job. Irrespective of how easier the prior statement sounds, it is probably the most significant risk attached to businesses because the consequences of appointing a wrong successor can be much worse. When it comes to running a business, the toughest decisions can be around succession.

Understanding that the growth and sustainability of any business lie in balancing the needs and expectations of the business.

We looked at each level in depth and understood why they are placed in this hierarchy, and how they help us in dealing with our priorities in life.

For example, if you haven't completed the insurance steps at level 1 to make sure that you and anyone who relies on your income is protected if you become disabled or pass away unexpectedly, it's not a good idea to buy a house (level 2). Opting for loans becomes extremely risky if you don't have a way to pay it or if something bad happens. And lenders won't even give you a loan if you haven't completed the tasks at level 1 of the financial pyramid: having enough income to meet your monthly obligations and having an emergency fund.

The concept of the financial pyramid not only helps you to prioritize your financial goals, but it also makes sure that you aren't exposed to unnecessary risks.

Now as you have bridged the gap by planning the following:

- From securing our loved ones from life's eventualities to handling medical bills
- From paying off debt to saving for retirement
- From planning for life goals to building the pipeline for future
- From saving our child's future to leaving a legacy

So I hope you will follow the footsteps and reach at the peak early in life with the help of reliable sources!