BEXs

#QuickFacts

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A BEXs KNOWLEDGE SHARING INITIATIVE

WHAT IS THE IMPACT OF A SURETY ON YOUR ESTATE?

Being the loving parent that you are, and not wanting to disappoint your first born, you agree to sign as surety at their bank, as he/she seeks to conquer the business world by embarking on a new business venture, for which he is eminently qualified. Whilst this is a noble and loving gesture, you need to be fully aware of the implications of signing as a surety?

What signing surety really means.

A suretyship agreement is an agreement in terms of which **the surety** (a third party, in this case you) undertakes to the **creditor** (usually a financial institution) to fulfil the obligations of the person wanting the loan (the **principal debtor,** in this case your child) should your child fail to do so.

Contrary to some thinking, the surety's (you) obligations extend beyond their lifetime. Should the suretyship agreement still be active at your death, your executor is obliged to advise the creditor of your passing, prompting the creditor to revisit the contract. This may entail assessing the need for a surety in light of the creditors current financial well being. This may include 1) Calling up the loan from the creditor or the surety (the estate), or 2) Releasing the estate from its obligations of suretyship.

<u>With this in mind you should consider the following before signing a suretyship: -</u>

- Will there be enough liquidity in your estate, should you die whilst the suretyship is active;
- If your estate is forced to repay the loan under the suretyship agreement, what will the impact be on your beneficiaries;
- Carefully consider all the terms and clauses of the suretyship agreement, in need seek legal advice before signing;
- Inform your Financial and Estate Planner of your obligation, so that a proper Estate Plan can be done to include the effects of the suretyship.