

## WHY HAVE NOMINATION?

### **What is Nomination?**

Nomination is a facility that enables a deposit account holder, investor in mutual fund/other financial instruments or safe deposit locker holder to nominate an individual, who can claim the proceeds of the deposit account, investment or contents of the safe deposit locker, post the demise of the original depositor, investor or locker holder.

Whenever you fill up form for Fixed Deposit or Insurance, Shares or a Mutual Fund or even opening a new bank account, there is a separate column asking you to mention a “*Nominee*”. This column is often left blank by lot of people, but it shouldn't be.

### **Who is a Nominee?**

Nominee is a person who can receive the proceeds of your investments, deposits, contents of safe deposit locker, in case of your death. Nominee can be anyone you deem to be your first relative - your parents, spouse, kids, siblings etc. Some investments also allow you to have multiple nominees where you can assign percentages of your money to each one of them.

As per law, a nominee is a trustee, not the owner of the assets. In other words, a nominee is only a caretaker of your assets. The nominee will only hold your money/asset as a trustee and will be legally bound to transfer it to the legal heirs.

A legal heir will be the one who is mentioned in the will. However, if a will is not available or written, then the legal heirs of the assets are decided according to the succession laws, where the structure is predefined on who gets how much.

### **Why nominate someone?**

In case of the unfortunate event of person's death, family/ near ones of such person go through a very painful and difficult time of coping up with the loss. Financial security and means is necessary for the surviving partner or your close ones. All financial institutions have standard and simpler processes for settling death claims, where nomination is clearly mentioned in the account or folio.

However, in the absence of nomination, process of settling a death claim may require a show the documents, including death, succession certificates, a will or a court order. Although it may sound simple on paper, it ends up being a long drawn process in real life and it is not a situation in which you would want to put your loved ones at a time, which would anyways be an already emotional situation for them.

There is data from the RBI which shows thousands of crores of unclaimed deposits lying in banks across the country. These are deposits which are lying in accounts where the original owner has not claimed the money or deceased and had not filed nomination details. This by itself is a proof of how difficult it can be to retrieve your money where there is no nomination done.

### **Important aspects to be remember while doing Nomination:**

- ❖ Mention the full name, age, address and your relationship with the nominee.
- ❖ Do not write the nomination in favour of "wife" and "children" as a class. Give their specific names and particulars existing at that moment.
- ❖ If the nominee is a minor, appoint a person who is a major as an appointee giving his full name, age, address and relationship to the nominee.

It is advisable to take out some time to regularise “nomination” in all your financial instruments, assets, bank accounts and lockers, if not done. You will render them a huge help when they need it the most.