



MANAGING AN ESTATE

EXECUTING THE JOB OF EXECUTOR

SUZEORMAN'S MUST HAVE DOCUMENTS

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Before you agree to be an executor of someone's estate, please make sure you are up for the job. Here's what is involved:

First, you must locate the will or trust and all the assets owned by the deceased person (bank and retirement accounts, stocks and bonds, insurance policies, real estate holdings, etc.). If you have a trust, your work will be much easier; the deceased's lawyer can help you handle the easy paperwork involved. If there is only a will you are in for more work:

Once you have found the will, you must submit it to the probate court for authentication, usually with the assistance of an attorney. Once the will has been validated ("proved"), the court will officially appoint you as the executor of the will and give you a set of documents called letters testamentary. Some states call these letters of authority or letters of appointment. These legally empower you to do things in the estate's name, such as take charge of a bank account. (You will not have the authority to act on the estate's behalf without these letters.) You should get multiple copies of the letters testamentary—at least seven.

As executor, you are responsible for protecting the estate, which means, first and foremost, that you cannot give the beneficiaries any of the assets left to them until the probate court has approved the distribution (unless the laws of the state you're in allow some distributions without court approval). In some states, you are required to identify creditors and debts of the estate to the probate court.

You will need to monitor and record all the expenses and income that the estate pays out and receives while it is in probate.

You should obtain at least 15 certified copies of the death certificate. You may need these to transfer title to real estate or investment holdings, or even to a car. You may also need them to settle any life insurance claims or to close bank or brokerage accounts, if necessary.

You must notify all insurance companies, banks, brokerage firms, retirement plans and administrators, the Veterans Administration, or any other institution that had financial dealings with the deceased person. This includes any institution where the deceased person had joint accounts.

You must pay all bills still owed by the deceased out of a special checking account that you will have to establish in the name of the estate. Until an estate is settled, regular payments, such as mortgage payments and utility bills, need to be paid each month, as do any credit card bills or loans. Also, any expenses that result from the death or the illness preceding it, such as medical bills, funeral expenses, taxes, and executor, court, and probate fees must be paid. All of these obligations will have to be paid before the estate can be finally distributed.

Sometimes the deceased's individual bank accounts will be changed into your name, as

SUZEORMAN'S MUST HAVE DOCUMENTS

MANAGING AN ESTATE—EXECUTING THE JOB OF EXECUTOR

executor on behalf of the state, so that you can access funds to pay bills for the estate. Any accounts, money, or property held as a joint tenancy with right of survivorship (JTWROS) will go directly to the surviving person whose name appears on the title of that asset.

Before you close any bank accounts, make sure that the surviving spouse's (if relevant) financial needs will continue to be met until the estate is settled. You should also double-check with an estate attorney before closing any accounts.

If there is a safe-deposit box make a complete inventory of its contents.

Look over the past three years of state and federal income tax returns. Besides providing information about the deceased's holdings they should be held because the deceased can still be audited for three years after the death. You will also be responsible for paying any taxes owed by the deceased to the government.

If there isn't enough cash in the estate to pay all the bills, the executor will have to start selling off (liquidating) assets from the estate, such as a house or car, in order to cover these bills, even if payments cut into specific bequests for the beneficiaries. Some debts (such as attorney fees) are given priority over other debts, so that no other debt can be paid until these priority debts are settled. That said, the executor is not responsible for paying any bills after all assets have been sold off. The executor has no financial risk.

As an executor you are eligible to be paid for the service you are performing. The fee varies depending on the state you live in. It is often calculated as a small percentage of the total value of the estate, usually between 2 and 5 percent. An executor's fee can easily be higher, especially if the executor has to do anything out of the ordinary, in which case the executor may charge the estate additional fees. The executor also has the power to choose not to be paid. It may make financial sense to decline to be paid if the executor is also one of the main beneficiaries. Executor fees are subject to income tax, but inherited property generally is not (the exception includes retirement plans and traditional IRAs). If you find yourself in this situation and the estate is large enough to be subject to federal estate taxes, ask an attorney or an accountant to help you determine which option will afford you the best tax result. (Executor's fees are deductible for the estate tax or income tax return.)

While the executor has no financial risk for paying bills after all assets are liquidated. An executor is liable for any action they take on behalf of the estate, so you can be sued by the beneficiaries if the estate is managed carelessly. The executor can also be sued by a vendor the executor may have contracted with on the estate's behalf. For example, let's say the executor hired a gardener to take care of the property surrounding the house of the deceased person until you sell the house, but then the estate doesn't have enough money to pay the gardener. If the executor entered into the contract with the gardener, the executor could be personally liable for any damages.

Any individual has the right to refuse to serve as an executor. The named executor does not have to give a reason. If the executor refuses the role of the executor, the alternate executor is assigned as executor. The Will included in the Protection Portfolio requires both an executor and alternate executor. For Wills created with other programs or attorneys if an alternate executor is not included in that will and the executor refuses the role of executor, state law sets

SUZEORMAN'S MUST HAVE DOCUMENTS

MANAGING AN ESTATE—EXECUTING THE JOB OF EXECUTOR

forth a preferred order for appointment among the options of spouse, child, parent, etc., but anyone can request or refuse appointment.

If you decide to take on the role of executor, make sure you have full knowledge as to where all assets and paperwork is stored so when the day comes you need to perform your duties – you can easily get your hands on the necessary paperwork.

Timeline

Here is an approximate timeline to give a general sense of the length of time needed to settle an estate with only a will. Since every situation is unique, these dates should not be regarded as absolute.

Date	Approximate Timeline	Description
January 1st	Date of death (DOD)	Jane Doe dies
		Locate will
		If there is a revocable living trust, work with the successor trustee to coordinate payment of expenses, managing property, and other tasks so there is no duplication of efforts.
January 7th	One week after DOD	Finalize funeral/memorial arrangements. Order certified copies of death certificate (through the mortuary or crematorium)
		Notify the Social Security Administration and any agencies that would be sending the deceased person benefits of the death.
		<i>Memorial service / Funeral</i>
January 14th	Two weeks after DOD	Receive certified death certificates
		Set up a special checking account that you will have to establish in the name of the estate to pay all expenses.

SUZEORMAN'S MUST HAVE DOCUMENTS

MANAGING AN ESTATE—EXECUTING THE JOB OF EXECUTOR

		Mail out copies of will to beneficiaries along with “Will Administration Expectations” letter
		Notify all insurance companies, banks, brokerage firms, retirement plans and administrators, the Veterans Administration, or any other institution that had financial dealings with the deceased person. This includes any institution where the deceased person had joint accounts.
		Take an inventory of all assets; have any valuable items appraised.
February	1 month after DOD	Condolence packages and forms received in the mail.
		Fill out forms, get notarized signatures where necessary. Mail out forms, attach certified death certificates and copies of the will, if necessary.
Mid-February	7 weeks after DOD	It’s possible that institutions will contact you for more information. Perhaps they will ask for Jane Doe’s marital status, perhaps they will ask for the date her divorce was finalized or the day her spouse died.
		Determine if probate is necessary for the estate; if probate is required seek the professional guidance of an attorney specializing in wills & trusts. See if an affidavit of small estate or another non-probate administration applies in your situation.
		You might receive correspondence saying that there is no benefit payable after Jane Doe’s death. Perhaps Jane Doe did not die in an accident so an Accidental Life Insurance policy will not be paid out. Perhaps a policy has already been cashed out by Jane Doe.
		Notify the named beneficiaries in the will or individuals eligible to inherit based on state laws.

SUZEORMAN'S MUST HAVE DOCUMENTS

MANAGING AN ESTATE—EXECUTING THE JOB OF EXECUTOR

Late February	2 months after DOD	You might receive a check made to the estate of Jane Doe. Deposit it in the bank. You should deposit all estate assets in the same bank account. Collect all money due the estate such as final wages or insurance benefits.
		All estate assets are cashed out and in the same bank account. Keep good records on the check registrar.
		Make sure the amounts on "DOD Evaluation" sheet are updated.
		Ask for beneficiaries input and consent for important financial decisions such as liquidating assets to pay for expenses. Keep beneficiaries informed on how the state is being settled on a regular basis through email or letters documenting the actions you have taken.
		Pay expenses owed by the estate.
		Look after estate assets until you turn them over to the beneficiaries
April	4 months after Notice is sent to Beneficiaries	Distribute the assets according to the will. Write checks to the beneficiaries for the appropriate amount. Mail the checks with the "Distribution Letter" and "Receipt." If you wish, include a stamped addressed envelope for the beneficiaries' convenience. Hold back sufficient funds to pay taxes and prepare income tax return for last year.
		Beneficiaries cash the checks and sign the receipts. You receive the signed receipts in the mail.
May	5-12 months after DOD	Once all the will assets have been distributed, the will ceases to exist. Be sure you have complied with all tax requirements by checking with a qualified enrolled agent tax preparer.

SUZEORMAN'S MUST HAVE DOCUMENTS

MANAGING AN ESTATE—EXECUTING THE JOB OF EXECUTOR

		File estate tax return
		Distribute the remaining assets to beneficiary, after all expenses owed by the estate including the cost of final funeral arrangements and any taxes are paid.