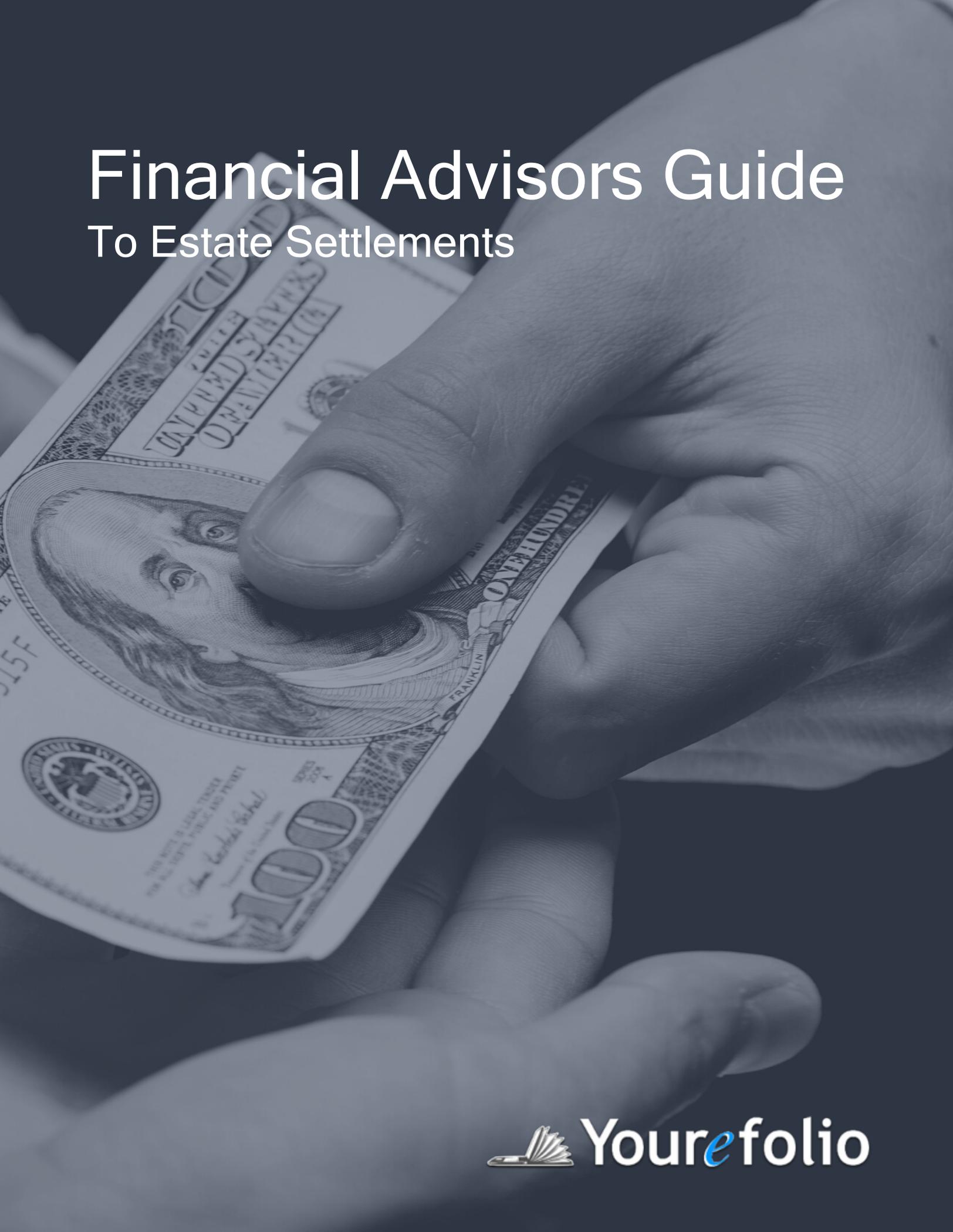


# Financial Advisors Guide To Estate Settlements



# Financial Advisors Guide

## To Estate Settlements

Let's face it, a client of yours will pass at some time in your career. While statistics say that you will most likely lose all to a portion of those assets, understanding estate settlements will certainly help when the moment arises, and the family is left figuring out how to transfer wealth. Being able to assist, if not control the settlement process will help you retain assets but potentially capture other assets for those who are looking for guidance.

Estate settlements can sound overwhelming and something that should be left to a seasoned estate planning attorney. However, when you break it down, advisors can easily and effectively offer estate settlements just like attorneys. Using an attorney when legal work is needed is advised but the transfer of assets is something that advisors do all the time. Estate settlements can be a similar process and one that can easily be done by financial advisors.

**“...fees can be up to 5% of the total estate value**

Most estate transfer can take little effort, provide additional income, help you retain assets and possibly gather new ones. Understanding the process can open a multitude of doors and this guide will help you understand the process. Estate settlement is a big business and those who provide this service can charge fees up to 5% of the total estate value. Estate planning attorneys make a lot of income from settling estates.

*Here is where you start..*

### **1. If possible, plan ahead**

If you are working with the family ahead of time, plan for the settlement. Title assets in a manner that make them easy to transfer. Use Trusts instead of Wills to avoid probate. Make sure tangible assets are titled within the Trust or Pass or Transfer on Death, if possible. Use a Title Agency to help with titling property. The costs are little but having it titled properly will make the settlement that much easier.

Make sure the estate is inventoried properly. A good estate plan starts with proper inventory. Use technology so that you can update and adjust over time. There are many effective estate planning technologies that can assist and guide you through proper estate inventory. Having all the data at your fingertips can help you settle the estate quicker and more effectively.

Organizing an estate is a great way to connect with clients who may be executors or trustees of an estate. They will ultimately be responsible for their duties and having an organized estate will make it a lot easier. Offering your estate planning technology to organize the estate will not only give you a connection but make you extremely valuable should something happen to the grantor.

## **2. Create a plan for settlements**

Have a standardized plan when settling an estate and document it. Follow your instructions when you are settling the estate. It starts with getting as many copies as possible of the death certificate you will need and moving on from there. Whatever your pre-plan is, make sure you communicate with the family members. At a time when they are grieving, you want to make sure they know what is going on with their loved ones' possessions. Managing expectations is the key. Having a written plan in place ahead of time will make your processes more effective.

Probate is the most challenging process when it comes to settling an estate. Don't be overwhelmed, most probate processes are lengthy but just require document filings. Again, make sure you are not practicing law by producing legal documents. Partnering up with an attorney may be a good option if you need to file legal documents. Counties will have probate filing paperwork on their websites. Most require an asset list and the original Will. You may be able file electronically which makes the process more efficient. Again, the use of an attorney would be prudent if you had to probate the estate.

## **3. Use other professionals when you need them.**

Of course, transferring a property will require a title agent. You can also outsource a paralegal who is certified to prepare some legal documents. Those professionals can be valuable when transferring a home or property. Transferring titles to autos can be done through the State Bureau of Motor Vehicles.

Financial assets are the easiest part of an estate settlement. Banks have their paperwork as well as other financial institutions. Most will need the court acknowledgement if probate was involved but if proper titling was done, a Trust or beneficiary designation (with the death certificate) will work.

If you encounter a death Intestate, then you will need the help of an estate planning attorney. You will also need help if a person passes away in another state. Residency can create some challenges you don't want to get in the middle of.

A final tax return will be necessary and it is also best to use a tax accountant to prepare a final tax return for the deceased.



#### 4. Understand Fees

Estate transfers can cost families up to 5% of the total estate. Obviously, this can be an unexpected cost. There are many fees that can be part of the estate settlement. Real estate transfer fees, title costs and other tangible asset transfers typically have filing fees. Most title agents will have additional transfer fees associated with filings. Counties will also have charges to transfer real estate. The Bureau of Motor Vehicles will have title transfer fees.

Probate courts typically have fees. Transferring an estate through probate will not only be a process but fees can add up. Executors and Trustees may also have fees for their part in the settlement. Some Wills and Trusts are written to provide reimbursement for expenses related to their duties.

#### 5. Post Planning

Beneficiaries and family members will need updated planning. At a minimum, they will have to account for the deceased and the role that person played in the estate. Update planning, new estate documents and financial planning for new assets should be done once the estate is transferred.

From Wills to Trusts, Guardians to Advance Directives, all documents should be revisited. Financial planning for the newly inherited assets, how IRA distributions need to be accounted for and the future goals for assets should be part of the post planning.

Communication with the family about all the effects of transferring an estate is key. Managing expectations, keeping them apprised during the process and following through with post-planning is all part of the settlement process.

Estate settlements are an excellent service that can be provided by financial advisors and a great opportunity for business. The process can be easy but typically avoided because it is not understood. This simple guide should help any advisors considering estate settlements. Of course, don't practice law by providing legal documents. Use help when you need it. Clients will pass, it is the part you play in the settlement that can mean all the difference in maintaining assets or letting someone else help your client and manage those assets.



# Quick Guide to the Settlement Process

This is a guide, there may be other items in the process that are not listed in this checklist

## Immediately upon passing

- Review all the items that make up estate including photos, videos and memory items
- Follow wishes of decedent for funeral and burial wishes
- Notify immediate family and close friends
- Contact Funeral Director to arrange for mortuary, cemetery, burial or cremation as appropriate
- Work with Funeral Director to arrange funeral & burial services
- Prepare and arrange for obituary. The funeral director should assist in this process
- Request enough death certificates
- Keep records of all payments for funeral and other expenses
- Determine if cash is needed and create liquidity for immediate needs
- Local police of death to protect immediate property

## In the weeks after

- Inventory the Decedent's Documents and Assets.
- Obtain death certificates from funeral home or from county offices
- Speak with lead planner and executor to determine who will be the main contact
- Set up a family and set up a meeting with all applicable persons
- Contact all beneficiaries and applicable parties, document contact
- Retain an estate attorney who is licensed in the deceased State of residence (if applicable)
- Obtain investment values for date of death
- Provide date of death valuation of assets and liabilities.
- Cancel all good-'til-cancelled orders immediately

## Other items to complete during Estate Administration and Settlement Process

- Probate will, if there is no living trust. File forms with the courts, if needed
- Obtain and pay bills for funeral, debts and last expenses
- Obtain values of tangible assets
- Establish an employer identification number (EIN) for the estate as an EIN may be required to report to the IRS on the estate's activities and payments
- Review all estate documents of survivor. May need new or revised docs.
- Notify health insurance carrier
- Contact Social Security to investigate survivor and/or children benefits
- Change beneficiaries on survivor's retirement accounts
- Check beneficiaries on annuities and outside accounts
- Changing the title on the residence, if needed
- File final tax returns (Federal and State)
- Notify creditors of the probate proceeding; the required method of notice is set by state law.
- Collect unpaid receivables including salary or compensation

