



# De-mystifying Estate Administration

When a loved one passes away, the process of estate administration begins as family or friends start to wind up the deceased individual's affairs. For many, this is a time of deep reflection and contemplation. For those tasked with helping to wrap up the deceased's financial affairs, it is a time to lean on professionals for guidance through the administration process.

Being named an executor or trustee is an honor for some because appointment to the position signifies the deceased's trust in the selected individual. Accepting this role also comes with responsibility. Executors and trustees are called "fiduciaries" because they have an obligation to act in the best interest of the beneficiaries the deceased has chosen to receive an inheritance. Being a fiduciary carries with it a promise to faithfully carry out the administration by being loyal and acting in the best interest of the beneficiaries throughout the entire process. In many instances, it is appropriate for a fiduciary to seek professional legal guidance by hiring an attorney to assist in this process to ensure these duties are carried out properly.

It is important to remember that an estate administration that requires assets to be transferred from the deceased's name alone to the beneficiaries is a legal proceeding that requires a particular process to be followed and filings to be made with the court. This process, called probate, requires the executor to petition the court to receive paperwork necessary to carry out the administration and transfer assets into the name of the estate, notify certain potential beneficiaries and necessary parties of the administration, satisfy appropriate debts and tax

## Steps to Take When a Loved One Passes

- 1.**  
Take care of yourself. The loss of a loved one is difficult and brings up many emotions. Remember to take care of yourself during this difficult time.
- 2.**  
Locate important documents. The deceased's will, trusts, and deeds are important documents to locate and review at this time as they all play a role in determining who must act for and who may benefit from the deceased.
- 3.**  
Gather information about assets. Many children, and even spouses, do not see or remember the deceased's entire financial picture. Once the family's focus shifts from paying last respects and onto

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liabilities, make distributions, and finish the administration by preparing a formal accounting or family settlement agreement.

Trust administration, while often not a public proceeding like probate, still requires the trustee to carry out some formalities such as marshalling assets, providing notice to beneficiaries, paying the appropriate debts and taxes and ending the administration with a settlement agreement.

Even where a formal probate or trust administration is unnecessary, preparation and filing of the Pennsylvania Inheritance Tax Return may be required. This tax on the right to inherit requires that a return be filed and payment be made within nine (9) months of the date of death. Assets are subject to tax regardless of their status as probate or non-probate assets. With the exception of life insurance proceeds, most assets are subject to this tax.

Making an estimated payment of the inheritance tax within ninety (90) days of the date of death results in a discount and so it is wise to determine if an early payment may be made. Deductions may also be used on the return to alleviate some of the inheritance tax burden. While the Pennsylvania Inheritance Tax rates are not back-breakers (0% to spouses, 4.5% to children and grandchildren, 12% to siblings and 15% to anyone else), it is still important to take advantage of any available deductions, make a prepayment determination, and analyze the entire tax picture.

As you can see, there are a lot of considerations to be made and steps to be taken when a loved one passes away. It is at this difficult time that families should lean on professionals for guidance in winding up their loved one's affairs. At Marshall, Parker & Weber we have been assisting families through the estate administration process and in finding peace of mind for over thirty-five (35) years. We would be honored to provide you with a free one-hour consultation with one of our attorneys to discuss your estate administration case.

winding up the deceased's financial affairs, the process of gathering information begins. The most recent financial statements of bank and investment accounts, insurance policies, and retirement accounts are helpful in determining the next steps in the administration process.

#### 4.

Keep track of expenses. In the period immediately following a loved one's death, bills for last expenses will roll in. It is important to keep track of these expenses because often they may be used as deductions on the Pennsylvania Inheritance Tax Return.

#### 5.

Develop and execute a plan. At this stage, it is prudent to meet with an attorney to discuss the next steps in the estate administration process. The more information you were able to gather about assets and potential liabilities, the better an attorney will be able to assist and predict the course of the administration. Working with an attorney can help reduce the family's stress and bring peace of mind that the administration is being handled appropriately.