

The hidden costs of estate settlement

As you look for ways to improve the financial outlook for your family, give extra attention to your choice of an executor for your will.

Generally, the fee for settling an estate relates to the responsibilities of the job, not to who does the job. That means that anyone you select as your executor, presumably, will be entitled to the same fee.

But what about the *real* cost?

Banks and trust companies like to point out that it costs “no more” to have them settle an estate. True enough, in theory. But you may wonder if it’s true in practical terms. Doesn’t the family end up with more if the fee for administering the estate goes to the widow or widower, or an adult son or daughter, instead of an outside organization?

Why, in fact, do so many thoughtful men and women choose to have our trust and investment team handle their estates as executor or coexecutor?

Is it simply because they’re reluctant to burden a family member with the complex, often thankless task of administering even a moderate-sized estate?

No, there’s more to it than that. The decision to name us to handle an estate is usually not only considerate but also specifically *cost conscious*.

By naming us, men and women guard against the *hidden costs* that so often emerge when a relative or friend, however well-intentioned, actually confronts the diverse tasks of estate settlement:

The cost of part-time attention

Rarely can a member of the family drop everything in order to concentrate on settling the estate. Career demands or other responsibilities must continue to be met. And what if the executor is ill, or traveling on business, when critical decisions must be made?

With such a part-time executor, there’s real risk of costly delays in safeguarding assets, evaluating claims or meeting tax deadlines.

Failure to file a federal estate tax return within nine months can be especially expensive. The cost to the estate will come in the form of interest costs and possible penalties.

The cost of inexperience

There are many decisions that an executor might make that could reduce taxes, given specific knowledge of the estate tax laws. For instance, certain elections need to be evaluated and chosen (or not chosen). Certain special steps may be required to conserve the value of business interests, collectibles and other out-of-the-ordinary assets. We could list *scores* of such examples, all pointing to the fact that economical estate settlement demands a wide range of detailed know-how.

A first-time executor will gain much of that knowledge as the estate is settled. But in this context, experience is a costly teacher. “It gives the test before presenting the lesson.”

Then, too, there is danger for the sole executor who is a widow or widower, uninformed about his or her spouse’s business and financial dealings. Most people who have dealt with or worked for such a spouse won’t try to take advantage of a bereaved widow or widower in this situation. But not everyone is honest. Unscrupulous people can do costly damage before their deceptions are detected.

Some duties of an executor

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| <ul style="list-style-type: none"> • Arrange for probate of will, to establish its validity. • Defend will against attack by disinherited relatives or others. • Obtain authorization to act as executor. • Give notice to creditors of estate. • Take custody of valuables. • Protect and, where advisable, insure other assets. • Transfer bank accounts and securities to estate. • Obtain entry to safe deposit box. • Collect money owed to estate. • Locate and take control of all other estate assets. • Supervise operation of businesses or other “active” assets. • Compile full inventory of estate assets. • Obtain accurate valuation for each and every asset. • Keep detailed financial records. • Determine validity of creditors’ claims. | <ul style="list-style-type: none"> • Pay valid claims. • Analyze estate’s cash position in relation to tax payments, cash legacies and other payouts to be made from the estate. • Decide what securities or other assets must be sold to raise added cash. • File final income tax return for deceased. • Review gift tax returns filed by the deceased. • Explore availability of reduced tax valuation for farm or business real estate. • File federal estate tax return. • File state inheritance or estate tax returns. • Seek to resolve any disputed tax valuations. • If negotiations fail, decide whether the estate should go to court. • Distribute assets to beneficiaries, and perhaps to trusts for family benefit or charitable purposes, in accordance with the terms of the will. • Prepare a full report of estate stewardship in the form of a detailed final accounting. |
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The cost of specialized assistance

Generally, a first-time executor soon realizes that he or she can't handle the whole job without help. Usually, the executor or the attorney serving as counsel for the estate will arrange for assistance as needed. Although an executor cannot delegate decision-making authority, he or she can draw upon outside help for bookkeeping, tax work, safekeeping of securities, investment counsel, management of rental real estate and so on. But the helpers are not in business for their health. They expect and deserve to be paid. And with each payment, the real cost of estate settlement rises.

What can you afford?

As a trust institution, we already have the varied skills and capabilities needed to settle an estate. Equally important, our staff is trained to coordinate these skills effectively.

As a result, we're able to think ahead, anticipate problems and spot money-saving opportunities. For example, our special attention to tax planning can sometimes produce savings that more than cover the fee that we receive.

As we mentioned earlier, many thoughtful men and women already have recognized the true economy of naming us as executor or coexecutor. What about you? Have you put off talking with a trust officer until your net worth rises a few more notches? Have you felt that you probably couldn't afford our services for your family?

If so, come in and learn more about our estate-settlement work. You may find it's a service that your family cannot afford to do without.

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Any developments occurring after January 15, 2007, are not reflected in this article.