
My Experience with Estate Settlement

What to Do Before Death

- Very important to have a will or trust (Licensed WFG agent gets a will free of charge from Legacy Shield)
- Without it your family will incur legal expenses to settle your estate and delay the estate settlement, avoid family quarrel
- A will must go through probate (content of inheritance is public court record), a trust bypass probate
- A trust allows you to distribute your asset in a systemic fashion) e.g. payout in 10 years, lose Medicaid, squander inheritance
- If you don't have a will today, get one ASAP
- You can simply have your wish handwritten on a piece of paper, sign and date, notary not needed

What to Do Before Death – Cont'd

- Every account you own should have primary and contingent beneficiary or POD (payable on death) on file
- Brokerage account - POD
- IRA, 401(k) - primary and contingent beneficiary
- Annuity - primary and contingent beneficiary
- Life Insurance – contingent owner, primary and contingent beneficiary
- Teachers Retirement System (TRS) - primary and contingent beneficiary

What to Do Before Death – Cont'd

- Safe Deposit Box – Upon death the safe deposit box will not be accessible until the probate is complete. If death was foreseeable (e.g. long illness), may want to remove content that are needed before death or add another trusted person on the account
- Give as much instructions as you can to your family before death, e.g. What dress to put on you, burial vs cremation, who gets the jewelry, fine china, piano, family secret recipe, etc.

What to Do After Death – Cont'd

- **Call Funeral home to collect body, make funeral arrangements**
- Funeral home will apply for death certificate; order at least **20 copies**; you need them to transfer the deceased accounts and life insurance and annuity policy claim. (Foreign assets will require death certification authentication by state or embassy)
- Call life insurance company for claim form. Will need death certificate and the insurance policy. Mark on life insurance form that the policy was lost so you are not required to send it with the claim
- Call Social Security Office to claim death benefit (\$255) and step up to survivor benefit or terminate benefit

What to Do After Death – Cont'd

- The beneficiary **call IRA, 401(k), brokerage firms and bank** to file beneficiary claim. Fill out and return with death certificate
- Recommend establish an inherited IRA account with the same firm and then transfer to the brokerage of your choice later. Same for investment account. This makes the accounting on cost basis easier. If you transfer to a joint account, you will need a medallion (similar to notary).
- If you are the agent on the mutual fund account, download a statement before you inform the company of the death

What to Do After Death – Cont'd

- **Call Medicare Supplement and drug plan providers**
- If the deceased have automatic bank draft request them to **stop bank draft** immediately and return partial month premium
- Hire an attorney for probate or Do It Yourself
- Asset that have no beneficiary will need **probate**
- Real estate, car, personal belongings, etc. has no beneficiary. Property cost basis steps up at time of death
- Simpler probate for asset under \$70,000
- Car title will be changed to the deceased estate upon death, car insurance will increase. **Don't drive the car!** Bear in mind that the estate is now not shielded from lawsuit (homestead, retirement)

What to Do After Death – Cont'd

- Update bills that are on automatic bank draft
- **Utilities, credit card payment**, etc. will be returned as unpaid because the deceased bank account is now closed/locked.
- Call TX Teachers Retirement System (TRS). There is a \$10,000 survivor benefit for the family. Make sure the beneficiary is on file to avoid probate. This can be rollover to an IRA or simply cash out with 20% tax withheld

What to Do After Death – Cont'd

- ▶ With beneficiaries live in different city and/or state, it makes it difficult to file the probate on our own. So we hire an attorney to do it
- ▶ Sorting through personal property that was accumulated during a life time will be time consuming and emotional
- ▶ Life insurance and bank account with POD were paid as soon as we presented the death certificate. IRA and investment account takes time to apply for a new account to receive the inherited funds
- ▶ Note that inherited IRA must be fully withdrawn in 10 years, no more stretched IRA

What to Do After Death – Cont'd

- **File Income tax for the deceased**
- I filed parents' 2019 tax return in June with mom as survivor. That was simple. We only need her signature. Now we will file their 2020 tax return with both of them deceased.

What Did We Learn

- ▶ Have an updated will or trust, health directive
- ▶ Trust would have been preferred because it bypass probate
- ▶ Life insurance and bank or brokerage accounts was settled as soon as death certificate is available because we have **POD on bank** as well as primary and contingent beneficiary on life insurance and annuity policy. Thus no probate
- ▶ Power of Attorney or authority to sign checks as agent ends at death

What Did We Learn – Cont'd

- Give as much instructions as you can to your family before death, e.g. What dress to put on you, burial vs cremation, who gets the jewelry, fine china, piano
- Funeral cost is expensive
- Parents bought a pre-paid funeral policy (whole life policy) and pre-selected casket, tombstone and burial plot. That was helpful.
- Funeral arrangements, composing funeral program all require help from whole family, not a one person job
- Look for reputable attorney for probate

What Did We Learn – Cont'd

- ▶ Finally, when you die, who should your family call first?

The Funeral Home to collect body!