

Settling an Account When a Loved One Passes

Abstract

These are difficult times.
No sense making it more difficult by misunderstanding
inheritances, wills, and probate.

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“It is nothing to die. It is frightful not to live.”

Victor Hugo, Les Misérables

“All we have to decide is what to do with the time that is given us..”

J.R.R. Tolkien via Gandalf,
the Fellowship of the Ring

“Unbeing dead isn’t being alive.”

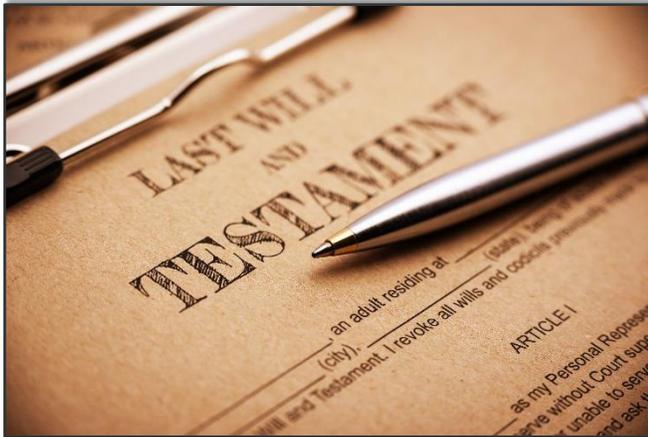
E.E. Cummings



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Inheritance

First, we want to say that we are sorry for your loss. We are writing this paper in order to make the financial process easier and to avoid any more unpleasant surprises. We sincerely hope this paper helps.



If the person who passed left behind a spouse, then settling the estate will be easy. Normally, everything can be passed to the spouse with no issues, no taxes. But if the person who passed is the second spouse to die, or had no spouse, then things can get more complicated. A lawyer can do all the work to settle an estate for you, but will typically charge about 5% of the deceased's assets – which can be quite a bit to give up. If you would rather do some or all the work yourself, there are some things you need to think about.

- 1) Is there a will? Let's hope so, but it would not be that unusual if there is no will. Many people, even wealthy celebrities have passed away without a will, most recently Prince, Michael Jackson, Amy Winehouse, Bob Marley, Jimi Hendrix and many more. So, if this happens to you, you will not be the first person. But if there is a will, things will go more smoothly.
- 2) Request quite a few official copies of the death certificate, maybe 10 or 20. You will need more than you think.
- 3) Is there is any real estate, a primary home, and or a vacation home? Find out whose name(s) is on the deed – check the county courthouse online. If the deceased is the last person on the deed to pass away, then probate will be necessary to transfer the ownership to the beneficiaries. See the section below which discusses the probate process. In general, probate is necessary if the deceased person's home and financial accounts are worth more than \$50k.
- 4) In what name(s) and types (IRA, Roth, Brokerage etc) are the financial accounts registered? For any IRA type accounts (Simple IRA, Traditional IRA, Rollover IRA, Roth IRA, etc) does the account have named beneficiaries? For non-IRA account types, such as Joint, Individual, etc there may or may not be beneficiaries named. To check for beneficiaries on these type of taxable accounts, look for a TOA (Transfer on Death) statement in the



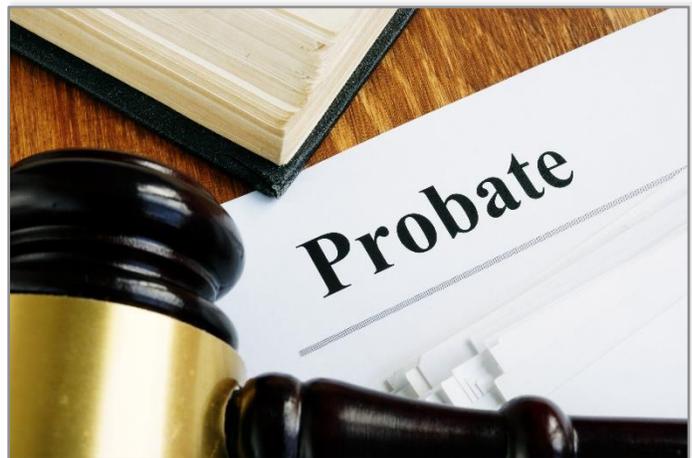
registration title on the account. If there is no TOA, then the taxable account types will have to be included in probate. IRA account types and taxable brokerages with TOA can bypass probate. Did the deceased person own stock certificates in a drawer at home? Gather recent statements for ALL accounts and account types. These will also be part of probate.

- 5) Gather any insurance contracts such as Life Insurance or annuities. If there is an annuity, is it a “qualified” annuity (like IRA money), or a “non-qualified” annuity? Gather a recent statement. These will not be part of probate, but you will need to fill out forms and send in death certificates before the insurance company will pay anything.

Probate:

Probate is the legal process through which a deceased person’s estate is properly distributed to their heirs and beneficiaries. The process begins with a visit to the probate court.

- 1) Take the death certificate and will to the probate court and get the executor of the will “officially” designated as the executor, with documentation to prove it (called “letters testamentary”).
- 2) If the person who passed away had more than \$50k worth of assets (for example, a home to sell, or a brokerage account), then you should create an “estate” for this person. If not, then no need to create an estate or get a new social security number. If the person has over \$50k and you need to create an estate to settle their affairs, then go online to IRS.gov and get the SS-4 form which can create a tax-id (EIN) number (like a soc sec#).
- 3) Many states require a full accounting/list of all the deceased person’s assets at the time of death which includes the task of collecting financial statements, insurance documents, deeds, bank statements, vehicle ownership papers, etc. In addition to paying bills from the estate account in item 4 below, many states require this accounting step to be completed (and reviewed by the probate court) before any assets are distributed to the beneficiaries.
- 4) The court appointed executor should take the new EIN number to a bank and establish a bank account, or “estate account”. Bring the death certificate and “letters testamentary” (probate court documents) to the bank. The bank can transfer the money from the individual who



passed into the new estate account and the executor can get a checkbook to pay final expenses (there will be more checks to write than you think).

- 5) The new estate bank acct is used to deposit any checks payable to the deceased and to pay final bills for the person who has passed.
- 6) Transfer all the deceased person's money from other bank accounts to the new estate account. Consolidate the funds in the new estate bank account.
- 7) You will need to file final tax returns for the tax year in which the person passed away. And assuming you have set up an estate, you will need to file tax returns for the estate (totally separate from the deceased person's final tax return) and for any additional tax years beyond which the estate is not completely settled. To avoid having to file multiple years worth of tax returns for the estate, try to settle the estate completely during the year in which the deceased passed.
- 8) If there is real estate, transfer the deed of the house into the name of the beneficiary or beneficiaries. The deed can be transferred at the County Courthouse where the real estate is located.

Taxes

If the deceased person has significant assets (currently in 2020 assets above \$11.4m individually, and if the deceased inherited spousal funds the exemption would be doubled to \$22.8m) there will be federal estate taxes to be paid. If the deceased assets are less than the maximum exemption then there will be no federal taxes, but there still could be state taxes. Various states have many different laws. If you have to file estate tax, get IRS form 706.

In PA, if you are the direct descendant of the deceased, then you will pay a 4.5% *inheritance* tax on all the assets you inherit. If you are a sibling of the deceased, the PA inheritance tax is 12%. If you are not a descendant or sibling, the PA inheritance tax is 15%. In PA, property owned jointly passes from spouse to spouse with no tax. The PA inheritance tax return form is REV-1500.



Another example, South Carolina. The state of SC has no inheritance or estate tax as of 2020. SC along with 38 other states impose no inheritance or estate tax.

GA also has no inheritance or estate tax. The GA estate tax law was repealed on July 1, 2014.

How can I get some help with settling an estate?

- 1) Talk to your Warren Financial advisor.
- 2) You can pay a lawyer (typically about 5% of the deceased's total estate value), or you can try to do it yourself (with Warren Financial's help).

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For clients, the app allows you to earn loyalty points.



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Warren Financial in the News...

BARRON'S
Warren Fund Hedges Bets on Dividends, MLPs
Randy Warren is chief investment officer of investment advisory firm Warren Financial Service, and manages WFS Funds, the firm's investment choice, with roughly \$75 million in assets under management in hedge funds, made for high net worth individuals.
"Dividends were a good place to be last year, and they seem to be a good place to be this year," Warren says. Still, he worries about whether dividend stocks are becoming too popular, and adds that "definitely you want to have something abouted from growth" in your portfolio.
The firm has a standard strategy that buys dividend stocks as well as buying call options on the 10 volatility index that can "keep out of the money." If a market goes down, the VIX goes up, providing a bit of a hedge, and "if the market really goes down, those VIX options will rocket in value."

THE WALL STREET JOURNAL
Some Investors Show No Fear of a Rising VIX
Randy Warren, investment strategist at wealth-management firm Warren Financial Service, which has \$80 million under management, often uses VIX call options to insure against potential market declines. Last month, when stocks began to slide, he bought call options "in case things turned ugly."

Forbes
3 Major Investment Themes Of 2019
So, you made this list...
It's exciting what happens when you talk back to the market. You're not just a passive investor, you're an active investor. You're not just a passive investor, you're an active investor. You're not just a passive investor, you're an active investor.

CNBC Video
WARREN'S FINANCIAL
FOMC HOLDS ONE-DAY POLICY MEETING
ANNOUNCEMENT DUE AT 2:05PM ET
THE FOMC'S CHAIR AT CNBC ET

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