The Estate Settlement Process: Navigating Legal & Emotional Challenges

Dealing with the emotional challenges of losing a loved one can be difficult. And later, navigating legal intricacies and making practical considerations can take a toll on you. Whether you're in charge of administering a loved one's estate or simply looking to understand the process of future planning, it's important to understand the estate settlement process.

In this article, we'll cover how to settle an estate and how it varies depending on whether there is a will.

Whether you're in charge of administering a loved one's estate or simply looking to understand the process of future planning, it's important to understand the estate settlement process.

WHAT IS THE PURPOSE OF ESTATE SETTLEMENT?

The estate settlement process helps manage, distribute, and resolve the deceased's assets and affairs according to their wishes if they had a will or according to law if there was no will. The main purposes of estate settlement include:

- **Asset distribution**
- **Debt settlement**
- **Legal resolution**
- **Closure and finality**
- **Preservation of assets**

STEPS INVOLVED IN ESTATE SETTLEMENT

1. Organize The Important Information

The first and most vital step in the process is organizing critical information. It is important to track your expenses and all the time spent working on the estate, as you are entitled to compensation.

Look for a will. You'll need to make several certified copies of the death certificate. Ensure you notify the bank, credit card companies, life insurance providers, and any other relevant financial institutions. Look for the deceased's social security number so you can inform the Social Security Administration of their death.

2. Go Through Probate (Depending On State Laws)

If the deceased had a will, the estate would have to go through probate, the court proceeding necessary for will validation. It's important to remember that not all estates will have to go through probate, as probate laws will vary depending on state laws and the size of the estate. A key disadvantage of having the decedent's estate go through the probate process is that probate is public. This means that the value and contents of a probated estate becomes public record.

The will must be filed in probate court, and beneficiaries must be notified. If there is a trust, successor trustees should also be informed. Other people that should be informed include utility companies, banks/creditors, and any other businesses the deceased had dealings with. One advantage of a trust is the assets in a trust typically do not have to go through probate, saving time and money while protecting the privacy of the decedent. If the decedent died without a will (intestate) the state will decide how the assets will be distributed which may not be what the decedent intended.

Another detail that must be handled is canceling subscription plans and informing agencies offering the departed benefits such as pension plans.

3. Review Inventory And Appraisal Process

The inventory and appraisal process involves a list of the departed's assets at the time of their death. Ensure you report the value of the assets precisely, as it could affect the tax penalties for benefactors. Remember, as executor of the estate, your job is to take care of the assets until they are distributed.

4. Create A Bank Account

After getting the Letters of Administration (they are granted by the court and grant authority to a person or people to deal with estate matters), you should set up a bank account. This account can be used to gather money that was owed to the departed (for instance, insurance benefits or final wages). Use this money to pay off debts, funeral expenses, lawyer fees, and any other expenses.

5. Remember To Pay Taxes

Ensure taxes are paid. Some returns you may need to file include:

- **State-Level Estate Taxes**
- **Estate and Income Tax (Form 1041)**
- **Federal Estate Tax (Form 706)**
- **Final Individual Income Taxes (Form 1040)**

6. Settle Debts

Although the person who accrued the debts is deceased, their debts still have to be paid off. The good thing is the estate will pay the debts, so all you need to do is figure out which debts are owed to which creditor.

7. Distribute The Assets

After paying all debts and taxes, and once probate is closed, the assets can then be distributed according to the final wishes of the departed.

This is where the process will differ depending on whether the departed had a will. If the deceased left a will, the assets will be distributed according to the will unless there is a reason for the will to be contested. If the deceased did not leave a will, the assets will be distributed according to intestate succession rules.

FREQUENTLY ASKED QUESTIONS ABOUT HOW TO SETTLE AN ESTATE

How Do You Know When An Estate Is Settled?

Some key indicators an estate has been settled include:

- **All taxes and debts have been paid**
- **Assets have been distributed**
- **Closure documents have been filed**
- **There are no pending claims or disputes**

How Long Does The Estate Settlement Process Take?

The time it takes to settle an estate can vary depending on the complexity of the estate and whether there are any disputes. A simple estate may be settled in 6-9 months, while more complex estates could take a year or more. Proper estate planning can drastically reduce this time or eliminate it completely potentially saving you time, money, and taxes. However, most of this planning needs to be done before you pass away so it is important for you to reach out for help.

LET CARY STREET PARTNERS HELP WITH YOUR ESTATE PLANNING

Settling an estate can be a stressful and long process at a time when people are grieving. However, proper estate planning before someone passes away can save many people time, money, and reduce worry. With the expert help of Cary Street Partners, estate planning can be an easy process that assure that your assets pass the way you want and avoid the unnecessary probate process when possible.

We aim to empower you to make the best decisions to secure your financial future. Contact us to speak with one of our financial advisors.

THE ESTATE SETTLEMENT PROCESS: NAVIGATING LEGAL & EMOTIONAL CHALLENGES

Paige W. Garrigan
Chief Marketing & Transitions Officer, Managing Director

The Wealth Wisdom Series is curated by Paige W. Garrigan, drawing from the experience and input from Cary Street Partners' Financial Advisors. Collaborating internally with the team she gathers pertinent and timely topics for readers. With nearly 30 years of experience in the financial services industry, she has acquired a wealth of knowledge across various facets of the industry ensuring comprehensive insights for readers.