

Executor's Guide

Prepared by 5 Stone Financial Group

Important Disclosure

This guide is provided for informational purposes only and is not intended to serve as legal, tax, or accounting advice. 5 Stone Financial Group is not a law firm and does not provide legal services. Estate administration can involve complex legal and financial issues. We strongly recommend consulting with a qualified attorney, tax professional, or estate planner for advice specific to your situation.

The Role of an Executor

Being named an executor means you are trusted to carry out the final wishes of a loved one. Your role is to ensure their estate is handled properly: protecting assets, settling debts, paying taxes, and distributing what remains to the right people.

You'll need to be organized, communicate clearly with family members, and follow legal requirements. As an executor, you have a **fiduciary duty**, which means you are legally obligated to act in the best interest of the estate and its beneficiaries.

While this is a serious responsibility, you're not expected to be an expert. That's why there are professionals available to help. Most estates take 6 to 18 months to settle, though complex situations may take longer.

Executor Compensation

Many people don't realize that executors are entitled to reasonable compensation for their time and effort. The amount varies by state and is often a percentage of the estate's value or an hourly rate. Some executors choose to waive this fee, especially when they are also beneficiaries, but you should know it's an option.

When to decline: If you feel overwhelmed, have conflicts of interest, or lack the time to fulfill this role properly, it's acceptable to decline the appointment or resign. The court can appoint an alternative executor.

First Steps Immediately After Death

The first few days can be emotional and chaotic. Focus on securing the home and important documents, and making sure immediate needs are addressed. This includes notifying family, arranging for care of pets, and beginning official notifications like Social Security.

You'll need certified death certificates for banks, insurance companies, and legal matters. Order at least 10 copies, as originals are often required. Start gathering what you can, knowing that not everything needs to happen all at once.

Checklist:

- Secure the property, valuables, and vehicles
- Arrange care for pets if needed
- Obtain multiple certified death certificates (at least 10)
- Locate the original will, trust, and other legal documents
- Notify Social Security, employer(s), insurance companies, and family members

Gathering and Organizing Important Documents

This step involves building a complete picture of the person's financial life. You'll need to locate bank accounts, investment statements, property deeds, loan balances, and insurance policies. This information is crucial for managing assets, paying bills, and ensuring nothing gets overlooked.

It's helpful to keep both digital and physical copies organized in one place. Create a master list of all accounts, assets, and debts with account numbers and contact information.

Checklist:

- Collect statements for all financial accounts, deeds, and titles
- Compile debt statements and insurance records
- Organize all documents both digitally and physically

Probate and the Legal Process

Probate is the court process that officially recognizes the will and gives you legal authority to act as executor. Not all estates require probate. Whether it's needed depends on the size of the estate and how assets were titled.

Assets that typically bypass probate:

- Jointly held property with right of survivorship
- Accounts with named beneficiaries (life insurance, retirement accounts, TOD/POD accounts)
- Assets held in a living trust

Many states have simplified processes for small estates below certain thresholds (often \$50,000 to \$100,000, depending on the state). If probate is required, you'll file paperwork with the court, follow a timeline, and may need to attend hearings. An estate attorney can guide you through this process.

Checklist:

- Determine whether probate is necessary
- File the will with the court and obtain executor authority
- Notify beneficiaries and track all legal deadlines

Managing the Estate's Assets and Debts

As executor, you'll manage the financial and administrative aspects of the estate. This includes taking control of bank accounts, securing valuable property, paying bills, and dealing with creditors.

You'll need to open a separate estate bank account to keep all transactions transparent and separate from your personal funds. This protects you and ensures the estate is handled fairly. Keep detailed records of every transaction.

Debts must be paid in a specific legal order, with secured debts, taxes, and administrative expenses typically taking priority. Consult with an attorney to ensure you're following your state's requirements.

Checklist:

- Inventory and appraise all estate assets
- Open a separate estate bank account
- Redirect or cancel subscriptions and recurring payments
- Pay valid debts and maintain detailed transaction records

Taxes and Final Filings

Taxes still need to be filed after death. You'll file the deceased's final personal income tax return (Form 1040) for the year in which they died. If the estate earns income after death (such as interest, dividends, or rent), you'll also file an estate income tax return (Form 1041).

For larger estates, there may be federal estate taxes due. As of 2025, the federal estate tax exemption is over \$13 million per individual, so most estates don't owe federal estate tax. However, some states have their own estate or inheritance taxes with lower thresholds.

A CPA or tax professional can help ensure everything is filed correctly and on time.

Checklist:

- File the final personal income tax return (Form 1040)
- File estate income tax returns if the estate earns income (Form 1041)
- Determine if estate tax returns are required
- Retain copies of all tax filings

Distributing Assets to Beneficiaries

Once debts, taxes, and administrative expenses are settled, you'll distribute what remains to the beneficiaries named in the will or trust. This could involve transferring real estate, closing bank accounts, or distributing personal property.

Critical: Do not distribute assets until you have confirmation that all debts and taxes have been paid or adequately reserved for. Distributing too early can expose you to personal liability if claims arise later.

It's important to document each distribution and keep beneficiaries informed throughout the process. Clear communication helps avoid misunderstandings and family conflicts.

Checklist:

- Confirm all debts and taxes have been paid
- Transfer ownership of assets to beneficiaries
- Document all distributions and obtain signed receipts from beneficiaries

Closing the Estate

The final step is closing the estate officially. This includes providing a final accounting of all transactions, closing estate bank accounts, and ensuring records are safely stored. Some states require a final report to the probate court.

The final accounting should detail all assets collected, debts paid, expenses incurred, and distributions made. This formalizes the end of your duties as executor and protects you from future claims.

Checklist:

- Prepare a final estate accounting
- Submit the final accounting to the court if required
- Close all estate accounts and store final records securely

Common Pitfalls and How to Avoid Them

Even well-intentioned executors can make mistakes that create legal or family problems. Here are the most common pitfalls and how to avoid them.

Mixing Personal and Estate Funds

The mistake: Using your personal bank account to handle estate transactions or paying estate expenses with your own money without proper documentation.

How to avoid it: Always use a separate estate bank account for all estate transactions. Keep receipts and records for every expense. If you advance money for the estate, document it clearly and reimburse yourself from the estate account with proper record-keeping.

Distributing Assets Too Early

The mistake: Distributing assets to beneficiaries before all debts, taxes, and claims have been settled. If creditors come forward later, you may be personally liable.

How to avoid it: Wait for written clearance from the IRS and state tax authorities. Ensure all known creditors have been paid or that adequate reserves have been set aside. Many states have a statutory waiting period for creditor claims (often 3 to 6 months).

Failing to Communicate with Beneficiaries

The mistake: Leaving beneficiaries in the dark about the status of the estate, which creates anxiety, distrust, and potential disputes.

How to avoid it: Set a regular update schedule (monthly or quarterly). Provide written updates on what's been accomplished and what remains. Be transparent about delays or complications. Even if there's no progress, communicating that shows you're engaged and taking the role seriously.

When to Get Professional Help

Professional guidance is often essential for properly settling an estate. Estate attorneys, CPAs, and financial advisors ensure everything is handled correctly and can save you time, stress, and potential liability.

You should strongly consider professional help if:

- The estate includes real estate, business interests, or complex assets
- There are disputes among beneficiaries or questions about the will's validity

- The estate owes significant debts or may face creditor claims
- Estate or income tax returns need to be filed
- You feel overwhelmed or uncertain about any aspect of the process

Helpful resources:

- IRS (www.irs.gov) for tax forms and guidance
- Social Security Administration (www.ssa.gov) for death benefits and survivor benefits
- Your state's probate court website for local procedures and forms

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