

Wills, Probate, and Estate Settlement

WHAT IS A WILL?

A will is the most basic component of a successful estate plan. A will is a legal document that directs how your estate is administered and allows distribution of your assets to beneficiaries after your death, according to your wishes.

By Having a Properly Drafted Will, You Can:

- Help protect your family under provisions to meet their future financial needs after your death;
- Name a guardian for your minor children;
- Minimize taxes by reducing the size of your taxable estate;
- Make sure your assets will be managed prudently;
- Avoid intestacy proceedings determining how your estate is distributed;
- Name an experienced executor or personal representative to ensure that your wishes are carried out;
- Establish trusts to manage the inheritances of minor and/or financially inexperienced beneficiaries; and
- Have peace of mind knowing your family and other heirs are taken care of.

DO YOU HAVE A LIST OF HOW YOUR PERSONAL PROPERTY PASSES TO HEIRS?

Many individuals want to leave equal amounts of their estate to their beneficiaries. However, some personal items have sentimental value rather than a monetary value and are difficult to split. Potential conflict can be avoided by leaving a signed and dated list with your will spelling out who receives items of personal property.

WHO DO YOU WANT TO ACT AS GUARDIAN OF MINOR CHILDREN?

It can be difficult to choose a guardian, especially if the parents want different guardians for their children. Not deciding on a guardian delays the distribution under a will and may result in the court appointing a guardian based on information it can gather.

HOW OFTEN SHOULD A WILL BE UPDATED?

Experts suggest reviewing your estate plan, including your will, every three to five years to make sure it still meets your needs and includes current information. You should also update your will to account for life changes, such as:

- Substantial increase or decrease in your estate
- Change in marital status
- Births or deaths in the family
- Move to a new state
- Business changes
- Retirement
- Tax law changes

WHAT IS PROBATE?

Property that passes through your will does so through the probate process. Usually court supervised, the process transfers property or assets from the estate of someone who has died to the proper beneficiaries, according to the terms of the will.

Probate also ensures all estate taxes and liabilities of the decedent have been paid. If you own property in more than one state, probate must be completed in each state individually. This process can be time consuming and expensive — costs may range from one to five percent of your estate, or higher!



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If you die without a will (intestacy), a state court will choose an administrator for your estate. This court-appointed administrator will distribute your property according to the state intestacy laws, regardless of your wishes.

WHAT IS ESTATE SETTLEMENT?

At the time of death, all of an individual's property and assets become part of his or her estate. The estate is the legal entity into which the decedent's separately owned assets are gathered, from which taxes — both estate and income — are paid for a period of time, and ultimately from which bequests are paid to beneficiaries of the estate.

No two estates are exactly alike and, therefore, every estate settlement requires special handling. The process includes:

- submitting the will for probate;
- paying creditors;
- accounting for, valuing, and safeguarding the decedent's assets;
- title searches and acquisition of legal title;
- management of assets;
- preparing tax returns;
- representing the estate in court;
- ongoing communication with interested parties;
- possible transition to trusteeship; and
- final accounting and distribution according the descendant's instructions in the will.

If a decedent created a trust during his or her lifetime, the trustee is responsible for this process rather than, or in addition to, the administrator of the estate.

The administration of an estate is time consuming and usually requires a year or more to complete. For example, in an effort to take advantage of all possible tax saving opportunities, the estate tax return is normally not filed until it is due, usually nine months after the date of death. Once filed, the return is audited by the IRS, which can take several months to complete.

INVESTING DURING THE ESTATE SETTLEMENT PROCESS

Preceding the date of death, the account may have been managed with a specific investment objective such as growth or income. However, upon death and continuing throughout the estate settlement process, an investment strategy generally focuses on two equally important objectives: asset quality and liquidity. Preservation of principal is a primary consideration during the estate settlement process because the estate is responsible for all the decedent's taxes, estate expenses, financial obligations and bequests.

The investment style for estate accounts is not passive management, but involves implementing a strategy that will minimize the risk of loss of value as well as provide sufficient liquidity for cash needs. The personal representative should review the safety and suitability of estate assets.

Upon completion of the estate settlement process, a new set of investment objectives will be determined. Thereafter, each program will differ and the solutions lie with the objectives and specific needs of the beneficiaries of the estate.

WHO DO YOU WANT TO ADMINISTER YOUR ESTATE?

An estate administrator, also known as executor or personal representative, can be an individual and/or a professional or corporate administrator.

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In deciding whether to choose a professional or an individual administrator, it is helpful to understand that a professional administrator has the proper accounting and tax skills and is impartial to the beneficiaries. While an individual administrator may be more familiar with the descendant's family, he or she may not have the skills or time available to settle the estate appropriately.

HOW CAN RBC WEALTH MANAGEMENT HELP?

As a client of RBC Wealth Management, you are able to take full advantage of our association with Comerica Bank & Trust, one of the most respected and experienced estate administrators in the industry. This alliance combines the strengths of two great companies, providing you access to quality states administration in addition to the professional, personalized investment services you've come to expect from your RBC Wealth Management® Financial Advisor.

PROFESSIONAL PERSONAL REPRESENTATIVE (PR)

Estate plans can be complicated because of special assets, specific family situations, or by their terms and applicable law. Serving as a Personal Representative (PR) entails responsibility and personal liability. Often, using a professional PR is the best option. The professional or corporate PR has the experience and the expertise to administer the estate properly. The professional PR makes objective decisions and is not seen as having favorites within the family. A corporate PR is highly regulated for your protection. In addition, the professional PR does not die, become disabled or go on vacation.

Contact your Financial Advisor today to discuss the benefits of using a professional PR for your estate plan.

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