

Will You Be My Executor?

Friends, family or a client may one day ask you to take care of their affairs after death.

This is the role of the executor. Being asked is a complement since it demonstrates trust in your integrity.

To prepare you for that "yes," you should understand the tasks an executor may be required to perform.

First Things First

First locate the will. Review it for matters of immediate concern such as dependent family members, pets and special funeral instructions. If the will has not been specific, the executor may have to seek consensus for the memorial service, burial or cremation.

No unauthorized person has access to any property of the deceased. Its disposal according to the wishes of the deceased is your responsibility. If you must change locks, change them.

Remember, you are bound by the terms of the will to carry out the wishes of the deceased. Work without bias or favour.

Many individuals associated with the deceased will have differing viewpoints as to how to deal with the will, the assets, liabilities and distribution to family, friends or charities. As executor, you cannot be swayed by friendship or emotion.

Accountability

As an executor you are accountable. To avoid, at the least, hard feelings and misunderstandings with the survivors and, at the worst, legal action against you, maintain detailed documentation of all financial transactions.

Expertise

It may be necessary to hire an independent third party to assist in making sound decisions you may lack the skills to deal with, for example, selling the house, filing taxes, distributing assets or paying bills. Retaining the services of experts does not diminish your capacity or responsibility but simply provides greater insight into the options available.

Time

Dealing with third-party issues after a death can be emotionally and financially stressful. The executor will be under pressure to provide financial solutions to immediate family in a timely fashion so they may continue with their lives. At the same time, however, other beneficiaries, creditors, and tax authorities must be satisfied. Expectations of a quick settlement of the estate are unreasonable. A complex estate settlement can take one or two years.

Value the Assets as Soon as Possible

Prepare a list of assets to determine their value. Use a digital camera to take pictures of all assets in the home, vacation property and business location. Pictures will assist in identifying tangible assets for distribution. If assets must be moved before property is sold, or because the premises are rented, the list and pictures will help account for the assets. Listing all of the assets in a residence can be a daunting task. You can hire someone to do this work.

Determine financial assets that may be at various financial institutions, insurance companies or work locations. You will need to find the documentation to locate: RRSPs or RSP accounts, bank accounts, insurance policies, safety deposit boxes, employer pension plans, and investments.

Usually the surviving spouse will be able to provide the initial contacts for employers as well as banks and insurance companies. It may be necessary to search through the personal papers of the deceased to find other investments.

If the deceased owned his or her own business, the executor needs to involve the other shareholders or employees to determine whether the business is to continue or be sold. A business valuation may be necessary to satisfy estate issues, not to mention corporate and/or personal taxation.

Settling the Deceased's Debts

You may be required to settle outstanding financial obligations. Cancel all credit cards to prevent unauthorized use and pay outstanding balances from the deceased's assets.

Filing Tax Returns

If the deceased had a Chartered Accountant, seek advice as to the best means of minimizing tax for both the estate and the beneficiaries. As the deceased's tax advisor, the CA will undoubtedly be able to provide additional insight into sources of investment income, RRSPs and other tax information. The CA may be able to offer advice regarding the timing of asset sales that may trigger taxable capital gains or taxable income.

Locate Named Beneficiaries

The executor must locate any named beneficiaries. This may not be a problem if the beneficiaries are close family members and are within the local vicinity, but could become problematic if the individual has moved out of the area or out of the country.

Once all the assets have been found, the liabilities assessed, the bequest determined and the overall estate valued, you must then distribute the assets.

The deceased while alive relied on certain individuals or companies to look after insurance, investment, banking, legal, accounting and taxation issues. An executor should look to those the deceased trusted to assist with advice and direction. Such an approach should provide sufficient input to allow the executor to make informed decisions and thereby avoid the sting of criticism from those who might feel distribution was not fair.

Signing Off

As an executor, your accountability, independence and responsibilities are paramount to ensuring that you cannot be faulted for actions that may be perceived as incorrect. When an executor has finally finished, a full accounting for all the assets, liabilities, expenses and distribution of assets should be completed. A release form should be signed by all parties approving the transactions report and releasing you from further responsibility.

This'n That at Logan Katz

New Faces at Logan Katz

Please join us in welcoming Brent McLean and Meng Yu to Logan Katz. They are part of the Algonquin College Accounting Co-op Program and will be here until April 30th assisting in our personal tax department.

Logan Katz in the Community

Earlier this month our very own Don Armstrong did a presentation at Algonquin College to their business students about record keeping and preparing personal income taxes for sole proprietors.

On March 22nd Logan Katz staff participated in our firm's 15th annual tax clinic where they prepared tax returns for Ottawa's low-income and senior individuals.

Logan Katz was pleased to be a participant in the OCRI Junior Achievement program. David Logan, Brenda Valente, Anjali Dilawri and Trevor Kennedy volunteered their time to present the Business Basics program to two 5th grade classes at a local elementary school. This unique program provides practical information to students about the organization and operation of a business in a free enterprise system. It is hoped that this program will provide our youth with a better understanding of how a business works.