**What does an estate executor do? Here’s a checklist of the most important financial duties**

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**There are plenty of tax questions when a loved one passes away, but what other financial issues could arise? Tax Guy walks you through them.**



When a loved one who was financially comfortable passes away, there will most likely be tax issues. You may be the heir responsible for dealing with them, and major bucks could be in play. In three earlier columns, I explored the potential tax considerations. See [here](https://www.marketwatch.com/story/worried-about-inheritance-tax-read-this-if-youre-a-beneficiary-executor-or-trustee-11631029183?mod=bill-bischoff&mod=article_inline), [here](https://www.marketwatch.com/story/what-to-do-if-youre-the-executor-of-a-loved-ones-estate-starting-with-when-to-pay-the-taxes-11632243790?mod=tax-guy&mod=article_inline) and [here](https://www.marketwatch.com/story/are-you-inheriting-a-house-or-retirement-account-from-a-loved-one-read-this-first-11631542458?mod=article_inline).

This column addresses some other important financial issues. Here goes.

###### **What is the role of the executor**?

When a loved one (the decedent) passes away, someone must take on the job of winding up the financial aspects of the estate. That person may be identified in the decedent’s will as the executor of the decedent’s estate. If a family trust holds the decedent’s assets, the trust document will designate a trustee. If there’s no will or trust, the probate court will appoint an administrator. In any of these scenarios, we will call that person the executor to keep things simple. That person might be you. If so, please read this.

The executor’s assignment is financial in nature: identify the estate’s assets, pay off the debts, and distribute the remainder to the rightful heirs and beneficiaries. The executor is also responsible for filing tax returns and paying tax liabilities.

As the executor, you may feel morally obligated to do much more. We will talk about what “much more” can include.

###### **Do you need a professional executor?**

Maybe. If the decedent was wealthy with complicated financial affairs, hiring a professional executor might be a good idea for that reason alone. It takes some of the heat off you.

Another situation where a professional executor might be advisable is warring or just-plain-unreasonable heirs. This is not unusual in families of means. For instance, one heir who has basically been living off the grid in New Mexico for the last 20 years might think the family homestead that will soon be put on the market is worth $10 million. The other heirs, who are much closer to the action, know it’s not worth over $5 million. The off-the-grid guy thinks he’s getting shortchanged and is threatening to sue everybody and their brother. Literally. Or a financially challenged heir may be demanding his or her share “in cash right now” even though that’s impossible. A professional executor can quash such nonsense without you getting dragged into the muck. A good estate planning attorney can recommend a good professional executor.

Whether you hire a professional executor or not, you may feel morally obligated to handle many things yourself. Keep reading.

###### Executors need to embrace a ‘p**roject management’ mentality**

In the “financially comfortable decedent” scenario, the financial aspects of winding up the estate and all the ancillary tasks can involve lots of time-consuming work. The dollar stakes can be high, and there may be deadlines that pile on the pressure. So you must stay focused, set priorities, and stick to them. In other words, you’re in the project management mode, and some folks are better at project management than others. Even if you’re pretty good at it, personal experience suggests that most tasks you perform as the project manager will take about two-and-a-half times as long as you think. If you work under that assumption, you won’t be far off.

###### **Take steps to avoid probate**

Hopefully not. Many well-off individuals and married couples put their most valuable assets into a revocable trust (AKA family trust, living trust, or grantor trust). Reason: to avoid probate. If the decedent failed to take that step, probate is in the cards. Probate is a legal process that includes proving in court that the decedent’s will (if one exists) is valid, identifying the decedent’s assets and having them appraised, paying the estate’s debts and taxes, and finally distributing the remaining assets as specified by the will. If there’s no will, the remaining assets must be distributed according to applicable state law.

Probate usually involves lots of paperwork and some court appearances by attorneys. It can get expensive. The estate pays the attorney fees and related court costs. While the extra cost of going through probate is bad enough, it can also delay winding up the estate for a long time. Heirs may be unhappy to hear this, and some may start looking for somebody to blame. Not good!

Thankfully, some assets can be passed to the rightful heirs and beneficiaries without going through probate. Examples include real property owned as joint tenants with right of survivorship (JTWROS), life insurance death benefits if the decedent designated policy beneficiaries, and retirement accounts if the decedent designated beneficiaries for the accounts.

###### **Get death certificates** — at least 5 originals

For various reasons, you’ll need a death certificate to prove that the decedent has passed away. You may need originals for some purposes. Get at least five originals from the applicable source. Get more if the decedent had lots going on — such as real estate owned in several jurisdictions. If in doubt, get more originals than you think you’ll need.

###### **Consider updating a married couple’s revocable trust**

If the decedent was married, a revocable trust (AKA family trust, living trust, or grantor trust) may have been set up to hold the couple’s most important assets and thereby avoid probate for those assets. Both spouses are usually named as co-trustees. If so, the trust document may have to be amended to eliminate the decedent as a co-trustee and perhaps add a new co-trustee (usually an adult child) to help the surviving spouse manage the trust’s assets. That new co-trustee may be you.

At the same time, consider whether the trust’s beneficiary and distribution provisions reflect current reality. If the trust was set up years ago, changes are probably necessary. Designated trust beneficiaries may have passed away, joined cults, married someone who the surviving spouse despises, or greatly disappointed the surviving spouse in any number of ways. There may be grandchildren who have never been added to the list of beneficiaries. There may be an adult beneficiary who has proven to be financially irresponsible and whose share must be made subject to restrictions to protect him from himself. You get the idea.

Consult a good estate planning attorney to make any needed trust changes. Do it quickly, because nobody knows how much longer the surviving spouse will be with us. If the surviving spouse passes away before the desired changes are made, the trust — with all its uncorrected faults — becomes irrevocable. Not good!

###### **The bottom line**

I hope this column and the ones that preceded it give you an idea of what you may face when a loved one passes away. The job is that much bigger when that person was “financially comfortable.” Please stay tuned for the next column, which will be the last in this series.