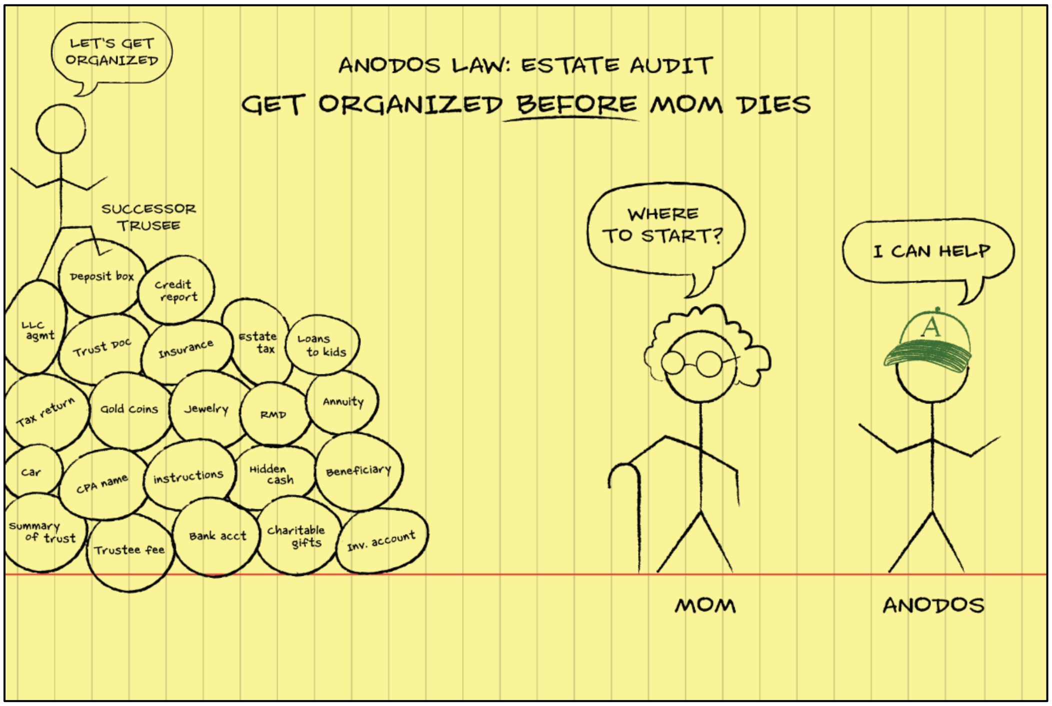
The Estate Audit: What you hope is done before Mom dies.

The Problem: Over time, even the best-drafted estate plans can become outdated and misaligned with your estate's assets and your objectives. Common issues include out-of-date documents that no longer reflect current law or tax regimes, changes in estate size, improperly titled assets, outdated beneficiary designations, unclear distribution instructions, missing information for new assets, etc.

The Solution: An Estate Audit is designed to identify and address the most common estate planning mistakes that increase the time, cost, and frustration when settling the estate. By resolving these issues before their deaths, Mom and Dad can have peace of mind that the settlement of their estate won't be a burden on their family when they are gone.



Topics to be addressed by the Estate Audit

Trust Document:

- Is there mandatory funding of the bypass trust at the first settlor's death?
  [*If Mom is to get everything when Dad dies, why do we need fund the bypass trust at Dad's death?*]

- Did Mom and Dad list all of the kids to serve as co-trustees/executors because they didn't want to offend any of them?
  [*The administration will likely take longer if there are multiple co-trustees rather than just one*.]

- Is the named successor trustee a friend or relative who is a contemporary of Mom and Dad who is ill-equipped to settle the estate?
  [*If Uncle Eddie is 80 years old and the successor trustee, he might not be the best candidate to settle Dad's estate*.]

- Does the list of specific gifts that are to be made to people or charities need to be updated?
  [*Mom and Dad stopped going to that church 20 years ago*.]

Investment Accounts and Financial Institutions:

- Do Mom and Dad have too many accounts that should be consolidated for ease of administration?
  [*Dad set up a checking account at every bank in town to 'diversify' his nest egg*.]

- Is there a safe deposit box or storage locker and does the executor know the location of the key and the location of the box/locker?
  [*We found a key to a safe deposit box, but we don't know which branch the box is in or the contents of the box*.]

- How many credit cards did Mom have?

Non-Probate Assets (anything with a beneficiary instruction like an IRA, 401k, Life Insurance, Annuity, etc.):

- Do the beneficiary instructions for any of the non-probate assets conflict with the estate plan?
  [*Is Dad's first wife still the beneficiary of that old annuity?*]

- Is there a copy of the beneficiary designation for all non-probate accounts?

- Are the kids the beneficiaries of Mom's IRA or the trust? Which is better?

- Who gets the money in the checking account if Mom added the eldest daughter to the account so that daughter can pay Mom's bills?
  [*Adding a joint owner to a bank account means she gets the assets, not the trust, when Mom dies*.]

Personal Property / Sentimental Items:

- What is to be done with Mom and Dad's collectables that are of little value?
  [*Are Dad's stamp collection or Mom's porcelain figurines worth anything?*]

- Are there any assets that cannot be easily divided and may cause frustration during settlement?
  [*Are the kids going to fight about who gets Dad's '65 Mustang or Mom's engagement ring?*]

- Are there any coins, bullion, gems, or jewelry of material value that will need to be appraised and/or sold?
  [*Does Dad's collection of silver and gold coins have numismatic value or is it worth only the "melt" value?*]

- Are the proof set coins from the Franklin Mint that Dad bought every year since 1964 worth anything?
  [*Not much*.]

- Did Mom and Dad hide cash and coins around the house as a rainy-day fund?
  [*Check for $100 bills in books, coffee cans, freezer, and sock drawers*.]

<u>The Family Home:</u>

- Is the house owned by the trust?
  [*If not, it will probably need to go through probate*.]

- Will the home require deep cleaning before it can be sold or distributed?
  [*Mom was a hoarder… 1-800-GOT-JUNK.*]

- Is there deferred maintenance on the home that should be addressed before it's sold or distributed?
  [*How much is too much of the estate's cash to spend on fixing up Mom's house before we sell it?*]

- Are there any family members living in the home who have an interest in "doing nothing" and continuing their occupancy after Mom dies?
  [*Younger brother hasn't had a job in 20 years and lives with Mom in the family home rent free*.]

- Will it be difficult for the trustee/executor to decide whether the family home is to be (a) sold "as is", (b) renovated then sold, (c) retained and rented or (d) distributed to one of the kids with an equalizing payment to the others?

- How will the value of the house be established if one of the family members wants to buy it?
  [*Two appraisals and average them? Should the sales price be less than "market value" because we don't need an agent? Will the siblings carry back a mortgage so that brother can buy the house from the trust?*]

<u>Investment Real Estate:</u>

- Is the investment real estate owned by the trust?
  [*If not, you will probably need to go through probate.*]

- Do Mom or Dad co-own real estate with their siblings?
  [*Who decides when we can sell Mom's ½ interest in the apartment building she owns with Uncle Eddie?*]

- Where is a copy of the lease agreement for Mom's rental house?

- Does Mom have any interest in land/real estate in another state?
  [*Vacation home? Timeshare? Oil and gas mineral rights to Great Grandpa's ranch in Oklahoma? You better get this in the trust unless you want to do a probate in another state.*]

Business Interests / Difficult or Unusual Assets:

- Are there any "unique assets" that are particularly difficult to value, manage, insure, or transfer?
  [*Royalties, mineral rights, patents, art, musical instruments, etc*.]

- Are there records of any personal loans made to the kids that are expected to be included as part of the estate?
  [*Dad loaned Junior $100,000 for a down payment on a house. Was this a gift or was it a loan that should be offset in the final estate settlement?*]

- Is there an operating agreement or co-tenancy agreement for any syndicated real estate investments?
  [*Where is the paperwork for the self-storage deal that Dad invested in?*]

- Should we get rid of the timeshare before Mom dies?
  [*YES!*]

The Executor/Successor Trustee:

- Is this the first time the successor trustee/executor has settled an estate?
  [*How are they expected to do a good job if they have never done the job before?*]

- Does the trustee/executor have a task list prepared that identifies what tasks need to be done and in what order, and provides an estimate of how long each task should take?

- Is there an updated balance sheet with a "source of truth" for each estate asset that the trustee/executor will need to account for?
  [*Should we set up a "vault" where all these documents are kept?*]

- Do you expect there will be disagreement between the beneficiaries about what is to be liquidated to provide cash for distributions vs. what is to be distributed "in-kind"?
  [*Is it better to sell Dad's stock and distribute cash to each beneficiary or distribute the stock "in-kind"?*]

- Will the trustee/executor need help preparing the required notices: first/final account, estate reserve, disbursement allocation, and the release of liability and contribution agreement?
  [*If the attorney that drafted the trust in 2011 is too busy or retired or dead who can the trustee/executor call for help?*]

- Do you expect the trustee/executor to be paid for doing their job?
  [*The trust says the trustee shall be paid a reasonable amount, but the siblings can't agree on what is reasonable*.]

- Was Dad's estate ever settled when he died in 2013 and if not, do we need to settle Dad's estate before we can settle Mom's estate?
  [*Yes*.]

- Even though Dad's estate is less than $13 million, should we file an estate tax return so that Mom can use Dad's unused exemption?
  [*Yes, if it's likely that the entire estate will be worth more than $13m at Mom's death.]*

Parties to the Settlement of the Estate:

- Is there a list of names with contact information for key individuals who are a party to the estate settlement?

[*Heirs, CPA, attorney, investment advisor, insurance agent, business partners, other.*]

- Is the drafting attorney retired or too busy and not available to help the executor with the settlement?
  [*Find a trust and estate attorney that is a generation younger than Mom and Dad.*]