



Estate Administration

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What steps have to be taken?

When somebody dies, the paperwork involved in proving the will and in sorting out the deceased's property can be daunting for the family.

Deceased estate administration

When someone dies the following steps have to be taken:

- If there is a will, the people named in the will as executors and trustees may need to apply to the High Court for a Grant of Probate confirming the will and giving them authority to deal with the estate assets. If there is no will then someone (usually the next of kin to the deceased) applies to the High Court for a Grant of Letters of Administration giving them authority to deal with the estate assets.
- The title to the family home and any other property held in the sole name of the deceased including bank accounts and investments, cannot be transferred to the beneficiaries without first obtaining either a Grant of Probate or a Grant of Letters of Administration.
- The application for Probate or Administration is drafted by the lawyer acting for the estate, signed by the named executors or nominated administrators and lodged in the High Court for processing. The Court process takes approximately 4 – 6 weeks.
- If the estate is small and there is no home or other land to deal with, it may be that Probate (or Letters of Administration) is not required.
- Joint assets can generally be transferred to a survivor without a Grant of Probate or Letters of Administration as soon as a death certificate is available.
- Service options: ask the lawyer acting for the estate if there are any aspects of the estate administration which can be carried out by the executors and trustees or by the deceased's family.

What is the difference between executors and trustees?

A will usually appoints one or more people as "executors and trustees". This involves the following two responsibilities:-

Executors – The role of an executor is to locate the will, arrange the funeral and ensure the instructions in the will for the distribution of the estate are carried out.

Trustees – The role of the trustee is to hold the estate assets on trust on behalf of the beneficiaries. In some cases the trustee's role can go on for a number of years e.g. when the deceased has left assets to young children and those assets have to be looked after until the children reach the age of 20 years (in some cases longer) or if the deceased has left someone a life interest in an estate asset.

Trustees' duties

- A trustee must be familiar with the will (if there is one), the estate's assets and the estate's business.
- A trustee must comply with the terms of the will and the law.
- A trustee must make sure the estate's assets are held in the name of the trustees.
- Generally the trustees must provide information about the estate to any beneficiary if asked to do so.
- The trustees must keep accurate records and proper accounts for the estate.
- If there is more than one trustee, their decisions must be unanimous.
- An executor or trustee must make reasonable inquiries to make sure all potential beneficiaries or claimants of an estate are known. Those inquiries may involve making a search of records at Births, Deaths and Marriages to check the deceased's marital status and/or to check for children of the deceased.
- Where appropriate, trustees should make sure the deceased has no outstanding debts by advertising for creditors (as provided for in the Trustee Act 1956) in an appropriate newspaper before the estate is distributed.
- The trustee is obliged to complete any income tax returns for the deceased person up to the date of their death, and they may also be obliged to complete a return for the deceased's estate. If the estate earns more income from any source, or if the estate assets include land or real estate, the trustee must obtain a new IRD number for the estate and file the required returns until all the assets have been distributed to the beneficiaries.

Six month rule – Trustees should also be aware that if they allow the estate assets (including personal items and household chattels) to be distributed to the beneficiaries within six months of the date of Probate or Letters of Administration, they as trustees can be held personally liable for those assets if a successful claim is made against the estate later. For this reason we recommend that the trustees wait for the six-month period to pass before any distribution is made. **N.B.** The period of personal liability is longer if Probate or Letters of Administration are not obtained.

Early distributions are possible but in such cases the lawyer must advise the trustees to do so only on the basis that the beneficiaries indemnify the trustees against liability for any later claims. The beneficiaries will need to take their own legal advice before signing the indemnity.

Trustees need to be aware of the “**executor’s year**” within which trustees should endeavour to complete administration and distribution to beneficiaries. Beneficiaries may be entitled to “interest” on their entitlement if administration is not completed within twelve months of the Grant of Probate or Letters of Administration.

What if a will is challenged or is inappropriate?

Sometimes a will is challenged. When this happens, the person challenging the will cannot take legal advice from anyone in the firm acting for the trustees. The lawyer acting for the estate continues to act for the executors and trustees who must remain neutral. Where this occurs, the beneficiaries must take their own legal advice independently of the firm acting for the estate.

What about mediation?

If all parties agree, a mediator may be able to act if there is a dispute about a will. Mediation is less expensive and quicker than court action. A successful mediation will result in agreement which is recorded in writing. In some instances the approval of the court may be required on behalf of beneficiaries who are under 20 years of age.

Who is entitled to make a claim against an estate?

The **Family Protection Act 1955** provides that a deceased person's spouse, partner, and/or children are entitled to make a claim if they believe they have not been provided for adequately in the will. If any of the deceased's children have died leaving children of their own then those grandchildren are also entitled to make a claim under this Act. Court proceedings for additional provision must be filed within twelve months from the Grant of Probate in the estate.

The **Property (Relationships) Act 1976** provides that a deceased person's spouse or partner may choose to elect to make an application under that Act for a division of the relationship property if they believe they have not been adequately provided for in the will. The law allows for the deceased person's spouse or partner to either take whatever has been provided for them by the will OR take whatever they would be entitled to under the Act. It is important to note that the choice MUST be made within six months from the date that Probate is granted.

A person who has been promised some provision by the deceased in return for services may claim against the estate under the **Law Reform (Testamentary Promises) Act 1949** if the deceased has failed to fulfil the promise by will.

Timing of distribution

As long as the estate assets are readily available, most estates can be distributed to the beneficiaries approximately 7-8 months from date of death (or earlier if the indemnities referred to previously are in place).

Manner of distribution and tax provision

Payments to beneficiaries will normally be made direct to bank accounts rather than by cheque.

If there is a delay with filing a final tax return for the estate an appropriate sum may be held back to cover payment of tax due.

Note to the beneficiaries of an estate

If you are in a relationship, then the Property (Relationships) Act 1976 may apply to you. You may wish to keep the funds or property you are inheriting from the estate **separate** from your relationship property.

Generally, and except for property which falls into categories like the home, furniture, or family car,

- property owned before the relationship began,
- **inherited property**, and
- gifts

are **not shared** – but there are exceptions to this. If you really wish to be sure your relationship partner has no claim on this property, you need an agreement, or you need to make sure that the property never becomes available for the purposes of the relationship. This is a complex area of the law. If you are inheriting property or looking at becoming the owner of something that is either important or expensive – **see your lawyer first**.

Because of the above your inheritance money should be deposited into an account held in your **sole name**.

If you decide to deposit funds into a jointly-held account, or any other account that is not in your name the estate's lawyer will require a signed written instruction from you.

Please do not hesitate to contact your Lawlink lawyer if you have any questions.

Role of the lawyer for the estate and fees

The lawyer's role is to act on behalf of the deceased person. The lawyer therefore takes instruction only from the estate executors and trustees. If there is no cash available in the estate, the executors are responsible for payment of the lawyer's fees.

The basis on which the lawyer's fees are charged is set out in the terms of engagement, a copy of which will be given to the executors and trustees before the administration commences.

Helpful information for your lawyer

It is helpful to give the following information (where applicable) about the deceased person to the estate lawyer to assist with administering the estate:-

1. Work and Income New Zealand benefit number or recent correspondence from the department.
2. A copy of the latest rates notice for any estate property.
3. Any bank passbooks, cheque books and credit cards held in the **sole name** of the deceased.
4. Insurance policies on the house, contents and vehicles or the insurance company details.
5. Details of any investment portfolio and/or Bonus Bond certificates.
6. Original Life Insurance policy document(s).
7. Birth certificate.
8. Marriage or civil union certificate.
9. Death certificate.
10. Funeral account and any other outstanding debts of the deceased.
11. Driver's licence or passport.
12. KiwiSaver account details.
13. Any household accounts to be changed such as power, telephone, SKY TV etc.
14. Any income tax records and IRD number for the deceased.
15. Contact information for the beneficiaries of the estate and birth certificates for any beneficiaries under the age of 20 years.
16. Details of any digital assets owned solely by the deceased e.g. Website/Domain Name/Emails/Social Media/Trade Me accounts.

Client Identification Obligations

Anti-money laundering and countering financing of terrorism law now requires all lawyers to properly identify their clients before they do work for them. The estate's lawyer is therefore required to obtain certain information from you as executor and trustee, and from the beneficiaries in the estate.

Please talk to the estate's lawyer before your first meeting about what forms of identification they require. Usually that will be a current passport and a utility bill or bank statement addressed to you at your home address. The estate lawyer will need to see those documents at your appointment, or you can arrange for correctly certified copies to be sent to your lawyer before work on the estate can commence.

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