VISION
FINANCIAL GROUP

Loss of a Family Member

Table of Contents

Loss of a Spouse/Family Member

What is it?

When your spouse or a family member dies, you'll need to handle numerous financial and legal matters. Even if you've always handled your family's finances, you may be overwhelmed by the number of matters you have to settle in the weeks and months following your loved one's death. While you can put off some of these tasks, others require immediate attention. After planning the funeral, you'll need to get organized, determine what procedures to follow to settle the estate and claim survivor's and death benefits, and find competent advice to help you through this difficult time.

Planning a funeral

A funeral allows the family and friends of the deceased to both celebrate that person's life and mourn their death. Funerals often take into account religious and social traditions. According to Christian tradition, funerals often include a visitation of the body (also called a viewing or a wake) and a ceremony performed by a clergy member, family member, or friend. There may be readings, music, and words spoken about the deceased person's life. However, they are personal--not legal--events and should reflect your own preferences, as well as those of the deceased and other family members. Although you aren't required to do so, you may wish to hire a funeral director to help you, particularly if you are planning a funeral on short notice. He or she can help you coordinate the details and help you apply for death certificates and certain survivor's benefits.

Getting organized

To settle your loved one's estate or apply for insurance proceeds or survivor's benefits, you'll need to have a number of documents. Locating these documents (and applying for certified copies of some of them) should be your first step in getting your finances organized . You'll also need to set up files to keep track of important documents and paperwork, keep a phone and mail list to record important calls and correspondence, and evaluate your short-term and long-term finances.

Settling an estate

Your spouse or family member may have named you executor of his or her estate. If so, you'll need to find out what procedures to follow. Settling an estate means following legal and administrative procedures to make sure that all debts of the estate are paid and that all assets are distributed to the rightful persons. If you are named executor in a will or if you are appointed as the personal representative or administrator of an estate, you will be responsible for carrying out the terms of the will and settling the estate directly or with the help of an attorney.

Paying income and estate taxes

You may have to file city, state, and federal tax returns , including Form 1040 (U.S. Individual Tax Return), Form 1041 (Fiduciary Income Tax Return), and, if the gross estate is large enough, Form 706 (U.S. Estate Tax Return). In addition, your state may impose a state death tax or an inheritance tax.

Filing a claim for insurance and/or survivor's and death benefits

Life insurance benefits are not automatic; you have to file a claim for them. Ask your insurance agent to begin filing a life insurance claim . If you don't have an agent, contact the company directly. Although most claims take only a few days to process, contacting an insurance agent should be one of the first things you do if you are the beneficiary of your spouse's or family member's policy. You should also contact your spouse or ex-spouse's employer as well as the Social Security Administration (SSA) to see if you are eligible to file a claim for survivor's or death benefits .

Tip: *If your spouse was a federal, state, or local employee, then you are likely eligible for government-sponsored survivor's benefits. In addition, children under age 18 or parents who are dependent upon their children for financial support are sometimes eligible for* Social Security survivor's benefits *.*

Tip: *Dependent children or dependent parents are sometimes eligible for benefits from employer-sponsored plans or Social Security.*

Finding competent advice

Getting expert advice is essential if you want to make good financial decisions. After all, you are probably doing many things for the first time, such as filing a life insurance claim or settling an estate. In fact, an attorney is one of the first people you might contact after your spouse or family member dies because this person can help you go over the will and start estate settlement procedures. Your funeral director can also be an excellent source of information and may help you get death certificate copies and apply for Social Security and veterans benefits , among other things. You may also wish to contact a financial professional, accountant, or tax advisor for help with your finances. And don't overlook the help of other widows and widowers; having been through it before, they may be able to provide you with valuable information and support.

Planning a Funeral

What is planning a funeral?

A funeral is an event that allows the family and friends of someone who has died to both celebrate that person's life and mourn that person's death. Funerals are often planned by taking into account religious and social traditions. According to Western tradition, funerals usually include a visitation of the body (also called a viewing or a wake), as well as a ceremony performed by a clergy member, family member, or friend. There may be readings, music, and words spoken about the deceased person's life. However, funerals are personal--not legal--events and should reflect the preferences of the deceased individual or his or her family.

How to do it

Talk to family and friends

It's often said that funerals are not for the dead but for the living. For this reason, it's very important that you discuss your funeral preferences with your friends and family if you are preplanning your own funeral. What they want is important, because the funeral is really for them; after all, you won't be there to see it! On the other hand, you will want your funeral to reflect your style and individuality, so make sure that your friends and family know what you want your funeral to be like. If you are in charge of planning someone else's funeral, involving family and friends will ensure a more meaningful funeral and help the healing process.

Select a funeral director

Many people plan funerals with the help of a funeral director because of the vast knowledge and contacts he or she has. Often a funeral director is one of the first persons called after someone dies because the funeral director transports the body to the funeral home. A funeral director helps you make arrangements and sees that the funeral service goes as planned. In general, he or she assists you in the following ways:

- Gives you information about burial and cremation
- Plans when and where the funeral service or memorial service will take place
- Helps you plan the funeral service and coordinates all participants and services
- Helps you choose a casket or urn
- Helps you choose a burial site (you may have to contact the cemetery directly, however, for information on gravesites, etc.)
- Embalms or prepares the body
- Arranges transportation to and from the burial site
- Notifies your attorney if you need legal help
- Discusses benefits to which you are entitled
- Discusses options for paying for the funeral
- Arranges for death certificates and notices

Using the services of a funeral director is a legal requirement in some states. Still, there's no reason why you can't assume some of the planning responsibility yourself or delegate it to friends or family members. In addition, most funeral directors are willing to accommodate special requests and personal preferences.

Organize the funeral service

Many people organize funeral services based on social or religious traditions, but there's no right or wrong way to organize the service. No matter what form it takes, you can have a meaningful funeral service if you remember that it should honor an individual's life as well as mourn that individual's death. In addition, the funeral service gives people a chance to grieve together. Some people mistakenly believe that cremation rules out a funeral. However, funerals can be held before cremations, just as they are held before burials. In fact, if time is short or if you are too upset to arrange a funeral, you can arrange for the body to be buried or cremated, then hold a memorial service for the deceased person several days or weeks later.

Arrange for burial, entombment, or cremation

Choosing burial, entombment, or cremation is a personal decision, sometimes guided by religious or social tradition, sometimes by emotion, or even sometimes by financial factors. In the United States, cremation is a much less popular option than burial or entombment, chosen by fewer than one in four individuals. Burial, however, is usually much more expensive than cremation because of the costs involved in buying, opening, and maintaining a grave site, as well as the cost of paying for markers and sometimes a vault to house the casket.

How to get good service

Choose a reliable funeral director

A funeral director's reputation is an important indicator of the quality of service he will give you. If you don't know anything about the funeral directors or funeral homes in your area, ask a relative, friend, or clergy member for a recommendation instead of picking one out of the phone book. Also ask if the director is licensed and a member of a professional association such as the National Funeral Directors Association (NFDA) or National Selected Morticians (NSM), because their members must adhere to a code of ethics. If possible, visit the funeral home, look around, and get information about products and prices before you have to use the funeral home's services.

Don't fall for a sales pitch

Funeral directors are in an awkward position; they have to be both friendly, sympathetic counselors and salespeople. However, a scrupulous funeral director should be able to explain available options to you and let you make a decision without playing on your feelings of guilt or sorrow. If you feel that you're getting a sales pitch rather than good service, look for another funeral home before you're talked into buying a funeral that you don't really want or need or can afford.

Complain if you must

If you have a complaint about the service that you receive from your funeral director, try to resolve it with him or her directly first. Reputation is very important to a funeral director, and he or she is usually attentive to service. Explain what your problem is and what action you would like taken. Then, give him or her the chance to correct the situation. If you are not satisfied with the outcome, the Funeral Ethics Association may be able to help you. This association will help mediate a solution between you and the funeral director. You may also want to contact your state consumer protection agency if your complaints are not resolved to your satisfaction.

Questions & Answers

How can you preplan a funeral?

Start by writing down your wishes regarding burial or cremation, the type of funeral you want, and other relevant information. Then, fill out a funeral preplanning worksheet (ask your local funeral director for one) and keep it with your will or important papers.

Paying for a Funeral

What is it?

When someone dies, you don't want to worry about how you're going to pay for the funeral. However, when it comes time to plan a service or choose a casket, you won't be able to escape the inevitable: Funerals cost a lot of money. How much a funeral costs depends upon what services and items you select, but even an inexpensive funeral can cost thousands of dollars. Whether you are planning your own funeral or someone else's, you'll be more satisfied with the result if you take measures to keep the funeral affordable and be aware of what payment options are available.

How expensive is a funeral?

The most recent price survey conducted by the National Funeral Directors Association found that the average cost of an adult funeral is $7,360, not including burial costs (NFDA 2017 General Price List Survey). Of course, depending on the services and items selected, a funeral can cost much less or much more than this.

Keeping funeral costs down

Ask for a price list

To comply with Federal Trade Commission requirements, your funeral director must give you a general price list that itemizes the cost of all funeral arrangements. This list must be given to you at the time the funeral is planned or when you ask for information over the phone. The general price list should include the cost of transferring remains to the funeral home, preparation of the body, use of the funeral home facilities, transportation, and funeral-related merchandise such as urns, caskets, vaults, and clothing. Once you have planned the funeral, the funeral director must give you a signed statement summarizing your selections. If he or she does not give you such a statement or is reluctant to discuss prices, you may not be dealing with a reputable person.

Don't rush

When you're planning a funeral, even immediately after a loved one has died, you don't necessarily have to make a decision in a hurry. In most cases, funerals can be delayed if you need more time to plan or get advice. In addition, don't be afraid to look elsewhere if you are not satisfied with the service your funeral director is providing you. However, you should first give him or her the opportunity to correct the problem if possible.

Don't buy what you don't want

Get the funeral you want (and can afford) instead of being swayed into choosing expensive items or services you don't want. Remember that many services or items provided by a funeral home are optional. For example, opting for cremation instead of burial will save you a lot of money; the cost of a funeral can be cut dramatically if you don't have to pay for a casket, vault, burial plot, or grave marker. In addition, you don't have to hold a visitation or ride to the cemetery in a limousine if that's not important to you. Determining what you want before talking to a funeral director will help you buy only what you can afford.

Do it yourself

Planning a funeral yourself is neither easy nor simple, but it can be done. Even if you don't want to plan the entire funeral yourself, you can save money by doing part of it yourself. For example, avoid commission charges by printing programs at a local copy shop, ordering flowers from the florist you usually use, and writing the obituary yourself. Also, many of your friends and family will probably offer to help you in your time of need. Let them. The funeral you plan will be more meaningful if you involve people you love. For example, instead of hiring the church organist, ask your cousin to sing your loved one's favorite song, or ask your artistic friend to arrange flowers for the funeral.

Ways to pay for a funeral

Prepay through a regulated trust

People who prepay their own funeral usually do so because they don't want their survivors to worry about money when they are grieving. One way to prepay your funeral is to establish a regulated trust contract between you and a funeral home that sets up a state-regulated trust account to pay for your funeral expenses. You sign a contract with a funeral home that outlines the amount of money you have paid into the trust account, the services those funds will pay for, and the funeral home's responsibilities. Your money is held in trust until your death, then is disbursed by the terms of the contract to pay for your funeral. If you are interested in establishing a trust to prepay your funeral expenses, talk to your attorney and your funeral home director.

Take out a loan

If you don't have the money to pay for a funeral, you or your survivors may be able to take out a secured or unsecured loan. You can use the loan proceeds to pay for the funeral, then pay it back in installments or in one lump sum, depending on the loan terms. Talk to your bank or other financial institution representative if you are interested in this option.

Use your savings

If you can afford it, using your savings is the easiest way to pay for a funeral. Savings earmarked for funeral costs can also help you qualify for Medicaid or Supplemental Security Income (SSI) .

Use life insurance

The primary purpose of life insurance is to provide a death benefit. This benefit can be used, in part, to pay funeral and/or burial costs.

Use government benefits

Although your survivors won't be able to pay for your entire funeral with the $255 death benefit they may be eligible to receive from Social Security, they may receive Social Security survivor's benefits that may help them pay for your funeral. In addition, if you are a current or former member of the U.S. Armed Forces, upon your death your family members may be eligible to receive a survivor's benefit and/or a burial allowance. If you are preplanning your funeral, check with your funeral director or the Department of Veterans Affairs office to find out about other burial benefits for which you may be eligible, such as a flag, an honor guard, burial in a national cemetery, and a headstone or marker.

Use employer-sponsored retirement plan funds

If you participate in an employer-sponsored retirement plan such as a 401(k), you may be able to access funds that you can use to pay funeral costs. Your ability to access funds depends upon the terms of your plan. For instance, if you're still working, your plan may allow you to borrow funds or take a hardship distribution. Check with your plan administrator or your company's human resource administrator for information. In addition, if you are a federal employee covered under the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS) , your survivors may be eligible for a lump-sum death benefit or an annuity that may defray the cost of your funeral expenses.

Tax considerations

Certain burial costs may be deducted from your estate, thus reducing estate tax liability. For example, you may be able to deduct burial costs, costs for a burial lot, and costs for grave markers or headstones, among others.

Questions & Answers

If you prepay funeral expenses, how can you be sure that the funeral home is trustworthy?

Before you sign any contract to prepay funeral expenses, make sure you understand it. In particular, determine whether the prepayment is refundable in any circumstances and what will happen if you move to another state or if the funeral home goes out of business or is sold. Going over the contract with your attorney would be wise. In addition, if you are placing money in a regulated trust account, make sure that the funeral director is licensed and that the trust complies with state regulations. And don't forget to tell a loved one about the contract and where you keep your copy.

Is there a legal requirement that caskets be placed in vaults?

There may not be a law that requires that caskets be placed in vaults prior to burial, but cemeteries may require this to prevent cave-ins. Check with the cemetery you have chosen for more information. If a vault is necessary, ask your funeral director to show you a less expensive version if you are uncomfortable with the price.

Settling an Estate

What is settling an estate?

Definition of estate

When people die, they usually leave behind money and other things of value (assets). In addition, they may have auto loans, mortgages, and other outstanding debts (liabilities). Together, the assets and liabilities left by a decedent are known as the estate. Settling an estate means that someone follows the legal and administrative procedures set up to pay the liabilities of the estate and distribute the remaining assets to the rightful beneficiaries.

Who settles an estate?

An estate is settled by the executor named in the decedent's will. Typically, the executor is the spouse or a close family member of the decedent, but may be another party. If the decedent left no valid will or the named executor fails to serve, the probate court will name an administrator to fulfill those duties. If you have been named executor in a will or appointed as the administrator of an estate, you are responsible for carrying out the terms of the will (if there is one) and settling the estate, either alone or with the help of an attorney.

Is settling an estate complicated?

Settling an estate may be tedious and time-consuming, but not necessarily complicated. It depends on the value of the estate, the state in which the decedent lived, and whether you must go through probate. Probate is the court-supervised process of proving the authenticity of the will and executing its terms. Formal probate may not be required if the decedent's property is worth less than a certain amount, or if all the assets are nonprobate assets. If minimal probate proceedings are required and there is no challenge to the will, settling an estate can be a relatively simple matter.

Do you need an attorney to help you?

If you are the executor, you aren't required to hire an attorney to help settle the estate, but you might consider it if the estate is complex or if you don't have the time, energy, or expertise to handle it yourself. If you hire an attorney, remember that he or she works for you, not for the estate, and that you are still the fiduciary. Be sure that you trust him or her to do a good job, and that you understand how the fees will be paid. In general, attorneys charge either by the hour or a lump sum, and the estate pays their fee. However, some states allow attorneys to take a percentage of the estate, an arrangement that can be quite expensive.

If you feel that you can settle the estate without much help, you should consider hiring an attorney as an advisor only. He or she will look over documents you prepare, give you specific advice in certain areas, and charge you an hourly rate for those limited services.

How to do it

Hire an attorney or other advisors

You may want to hire an attorney to help settle the estate, but other professionals such as accountants or financial advisors can also help with specialized issues. Such issues may include paying income and estate taxes, accounting for estate debts and expenses, and collecting insurance and pension benefits.

Locate and read the will

Finding the will should be relatively easy. You may already know where it is located. Otherwise, you may be able to look in the decedent's safe-deposit box, a file cabinet, or with the decedent's attorney or other family members. When you have found the will, read it to make sure who the executor is, as well as who the beneficiaries are. In addition, try to determine if the will you've found is the most recent version since more than one version may exist.

Tip: *If your spouse left no will or if the will is invalid, he or she is said to have died* intestate *. The probate court will establish who the legal heirs are under your state's intestate succession laws and may appoint you as administrator.*

Caution: *If the decedent has a safe-deposit box, his or her bank may seal it at the time of death and may deny entry, even if you are the decedent's spouse. However, an exception might be made if you are a joint or cosigner for the box and have a key. To open the safe-deposit box, you may have to get court authorization. For this reason, either don't store your will in a safe-deposit box or have another copy stored someplace else, for example with your attorney.*

Carry out funeral arrangements

Complete the funeral arrangements. Most states have a five-day waiting period before you can begin any other work to settle the estate anyway.

Gather paperwork and documents you will need

To settle the estate, you will need to have the original or certified copies of some or all of the following documents: the decedent's will, birth certificate, marriage certificate, death certificate, Social Security number or card, military discharge papers, and divorce papers. You will also need to make a list of assets (such as bank accounts, trusts, securities, real estate, insurance policies, retirement plans, business interests, and personal property) owned by the decedent at death, and find any paperwork that accompanies these assets (such as deeds, mortgages, titles, registrations, and loan paperwork).

Determine if probate will be necessary

To determine if probate is necessary, check with your attorney or your state's probate court clerk (for the phone number, look in the government listing section of your telephone directory). One of these sources should be able to tell you how your state determines if probate is necessary or guide you to the necessary resources. Many states have simplified probate procedures or do not require formal probate of property worth less than a certain amount. In general, however, probate may be necessary if there are probate assets. A probate asset is property that does not automatically pass to a beneficiary and is distributed by the terms of the will. Nonprobate property automatically passes to a beneficiary, either because the property is held jointly or because the beneficiary has been specifically designated as beneficiary in another document (a life insurance policy or pension plan, for instance).

Example(s): *When Hal died, he left his entire estate to his wife, Jane. His estate consisted of a house worth $150,000, a bank account worth $12,935.46, and a $50,000 life insurance policy. The house was held in the name of Hal and Jane as joint tenants with rights of survivorship. The bank account was held jointly by Hal and Jane. Jane was the named beneficiary of Hal's life insurance policy. None of his estate was subject to probate because all of Hal's property legally passed to Jane automatically.*

Caution: *Some bank accounts held jointly may not pass automatically to the other joint account holder. It depends on the wording of the account and the intent of the owners at the time the account was opened.*

Apply for probate

If the estate is subject to probate, you must initiate proceedings by filing a petition to probate the will or administer the estate before the probate court. You can get this petition from the clerk of the court. You will then file the petition and the will with the court, along with a list of probate assets.

Notify all interested parties that probate has been initiated

You must locate and notify all interested parties (e.g., heirs at law and beneficiaries named in the will) that probate has been initiated. Even if you are the spouse of the decedent and sole beneficiary, many states require that you notify anyone who would benefit if there had been no will because they may have reason to challenge the will or they may have a more recent copy of the will. Since the length and type of notice you must give varies from state to state, check your state's laws to determine what notification procedure you must follow.

Open a bank account in the name of the estate

You may need to open an estate checking account to pay any bills or accept money owed while the estate is being settled. You may also need to obtain court permission to do this. As executor, you can deposit checks made out to the decedent to this account, as long as you endorse them. If you have questions regarding this, talk to the bank or your attorney.

Apply for a Taxpayer Identification Number (TIN) and any state ID number required

Each TIN applicant must (1) apply using the revised Form W-7, Application for IRS Individual Taxpayer Identification Number, and (2) attach a federal income tax return to the Form W-7. Applicants who meet an exception to the requirement to file a tax return (see the instructions for Form W-7) must provide documentation to support the exception.

Send your Form W-7 and proof of identity documents to Internal Revenue Service, Austin Service Center, ITIN Operation, P.O. Box 149342, Austin, TX 78714-9342. You may also apply using the services of an IRS-authorized Acceptance Agent or visit an IRS Taxpayer Assistance Center in lieu of mailing your information to the IRS in Austin.

Arrange notification of creditors

Depending on the laws of your state, you may need to publish a legal notice (usually in the local paper) to notify creditors (and other interested parties who may have received the notice personally) of the decedent's death. In addition, you may be required to mail a notice to each known creditor individually. Depending on your state's laws, creditors may have as much as one year to file a claim against the estate.

Notify institutions and agencies

Send notices of the decedent's death to the post office, banks, utility companies, the Social Security Administration, and other institutions that should be informed.

Collect debts owed to the estate and pay creditors

The executor or administrator will have to both collect money owed to the decedent or the decedent's estate and pay any bills or debts of the estate. Money owed to the estate might include unpaid salary, insurance benefits, employee benefits, government benefits, or pensions. Bills or debts of the estate might include credit card bills, funeral expenses, medical bills, advisors' fees, and loan payments. If you are the spouse of the decedent, you may need help from your advisor to determine what debt is yours alone, what is joint debt, and what is your spouse's debt.

Caution: *If you are the spouse of the decedent, don't pay any bill unless you are certain it is legitimate. When the death notice appears in the newspaper, you may be targeted by con artists who will ask you to pay phony expenses. Before paying any creditor, ask to see a copy of the original invoice and check it thoroughly. Be particularly wary of any request made by telephone. Never give out any personal or financial information over the phone (including your Social Security number or credit card numbers).*

File any insurance claims on the decedent's life

File any insurance claims on the decedent's life.

Periodically check in with the court

You may occasionally need to obtain the probate court's permission to spend estate funds. You may also be required to file reports with the court regarding how estate funds are spent. Also, you may need the court's permission to sell estate property.

File tax returns

You may have to file state and federal tax returns, including Form 1040 (U.S. Individual Income Tax Return), Form 1041 (Fiduciary Income Tax Return), and, if the gross estate is large enough, Form 706 (U.S. Estate Tax Return). In addition, your state may impose state death taxes (e.g., an inheritance tax).

Make estimated tax payments

You may need to make estimated tax payments for the estate for any tax year ending two or more years after the decedent's death.

File papers to finalize the estate

You may need to file a final account with the court that details all estate income, expenses, and administration costs. The court approves this final accounting. This finalization may take place a year or more after probate is initiated because of the length of the probate process.

Distribute assets to the beneficiaries

Nonprobate assets pass automatically to the beneficiaries, but probate assets can only be distributed after all claims, debts, and taxes are paid, and the probate process is complete. When distributing the assets to the beneficiaries, you must follow instructions given in the will as well as those required by the probate court. Once the estate is distributed, the court closes the estate and discharges you as executor.

Caution: *If you are the spouse of the decedent, be aware that until the court has officially awarded the property to you, you are forbidden to sell or gift your spouse's property, even if you feel that you are now the rightful owner. You can't even give the property to your children until the estate settlement process is complete because there may be challenges to the will or an inventory might need to be taken.*

Questions & Answers

If one spouse dies without a will, how does the surviving spouse settle his or her estate?

You can settle an estate without a will, but the laws of your state will determine how your spouse's property is distributed. These laws are called statutes of descent and distribution. You may be appointed as administrator of the estate, but it's possible for the courts to appoint someone else, which will give you less control over estate management. For advice and information, consult an attorney.

If you are named as executor, can you decline to serve?

No one can be forced to serve as executor. You can simply decline the responsibility. An alternate executor named in the will may take over or the court will appoint someone.

Does a relative named as executor get paid?

An executor is entitled to a fee equal to an amount determined by state law or whatever the probate court determines is a reasonable amount. Typically, relatives of the decedent usually decline payment for their services, even though they are not obligated to do so.

Understanding Probate

When you die, you leave behind your estate. Your estate consists of your assets — all of your money, real estate, and worldly belongings. Your estate also includes your debts, expenses, and unpaid taxes. After you die, somebody must take charge of your estate and settle your affairs. This person will take your estate through probate, a court-supervised process that winds up your financial affairs after your death. The proceedings take place in the state where you were living at the time of your death. Owning property in more than one state can result in multiple probate proceedings. This is known as ancillary probate.

How does probate start?

If your estate is subject to probate, someone (usually a family member) begins the process by filing an application for the probate of your will. The application is known as a petition. The petitioner brings it to the probate court along with your will. Usually, the petitioner will file an application for the appointment of an executor at the same time. The court first rules on the validity of the will. Assuming that the will meets all of your state's legal requirements, the court will then rule on the application for an executor. If the executor meets your state's requirements and is otherwise fit to serve, the court generally approves the application.

What's an executor?

The executor is the person whom you choose to handle the settlement of your estate. Typically, the executor is a spouse or a close family member, but you may want to name a professional executor, such as a bank or attorney. You'll want to choose someone whom you trust will be able to carry out your wishes as stated in the will. The executor has a fiduciary duty — that is, a heightened responsibility to be honest, impartial, and financially responsible. Now, this doesn't mean that your executor has to be an attorney or tax wizard, but merely has the common sense to know when to ask for specialized advice.

Your executor's duties may include:

- Finding and collecting your assets, including outstanding debts owed to you
- Inventorying and appraising your assets
- Giving notice to your creditors (e.g., credit card companies, banks, retail stores)
- Filing an estate tax return and paying estate taxes, if any
- Paying any debts or other taxes
- Distributing your assets according to your will and the law
- Providing a detailed report of how the estate was settled to the court and all interested parties

The probate court supervises and oversees the entire process. Some states allow a less formal process if the estate is small and there are no complicated issues to resolve. In those states allowing informal probate, the court may be involved only indirectly. This may speed up the probate process, which can take years.

What if you don't name an executor?

If you don't name an executor in your will, or if the executor can't serve for some reason, the court will appoint an administrator to settle your estate according to the terms of your will. If you die without a will, the court will also appoint an administrator to settle your estate. This administrator will follow a special set of laws, known as intestacy laws, that are made for such situations.

Is all of your property subject to probate?

Although most assets in your estate may pass through the probate process, other assets may not. It often depends on the type of asset or how an asset is titled. For example, many married couples own their residence jointly with rights of survivorship. Property owned in this manner bypasses probate entirely and passes by "operation of law." That is, at death, the property passes directly to the joint owner regardless of the terms of the will and without going through probate. Other assets that may bypass probate include:

- Investments and bank accounts set up to pass automatically to a named person at death (payable on death)
- Life insurance policies with a named beneficiary (someone other than the estate)
- Retirement plans with a named beneficiary
- Other property owned jointly with rights of survivorship

Claiming Life Insurance Benefits

Life insurance benefits are not paid automatically. If you are the beneficiary of a life insurance policy, you must file a claim in order to receive any money. Often, this is as simple as contacting your insurance agent and the deceased's employer and filling out some paperwork. You will need to provide each insurance company with a certified copy of the death certificate.

However, if this is the only step you take, you may be missing out on other life insurance benefits to which you are entitled if you fail to locate all of the life insurance benefits that the deceased was entitled to. If you spend time uncovering these hidden policies, you may end up with a great deal more money from life insurance than you expected.

Finding individually owned life insurance policies

Your spouse or family member may have owned one or more permanent or term life insurance policies. Individually owned term or permanent policies are what most people think of as life insurance. These policies are purchased by one person and pay benefits when the insured person dies. If your spouse or family member owned one of these policies, he or she probably kept it with his or her important papers in a file or in a safe-deposit box.

However, if you know that your spouse or family member owned an individual policy and you can't find it, call his or her insurance agent or company to check. It may be wise to review canceled checks to see if you can locate any premium payments to insurance companies. If you know that there was a policy but you can't find it, check the Internet or call your state insurance department for the names of companies that may, for a fee, help you locate a policy.

Finding group life insurance policies

Group life insurance policies provide coverage to many people under one policy. Group insurance policies may be issued through an employer, bank, credit agency, or other professional or social organizations, and they often pay benefits in specialized circumstances. Because the group holds the actual policy, the insured person receives a certificate of insurance as proof that he or she is insured. Look for these certificates in your spouse's or family member's personal papers, files, and safe-deposit box. If you can't find any certificates, this doesn't mean that your spouse wasn't insured. You should still check with your spouse's or family member's employer, bank, or credit agency, or study loan paperwork or purchase contracts. Read the following sections for information about types of group policies that your spouse or family member may have owned.

Employer-based group life insurance

If your spouse or family member was employed at the time of his or her death, you may be the beneficiary of a life insurance policy issued through his or her employer. Because some employers offer their employees a certain amount of life insurance at no cost, you may not even be aware that your spouse or family member was insured by a group policy because he or she did not pay his or her own premiums. What's more, your spouse or family member may have had the option of purchasing additional group life insurance through his or her employer, paying the extra premiums himself or herself. So, before assuming that your spouse or family member did not have group life insurance, you should check his or her pay stubs and call his or her employer.

Accidental death and dismemberment policy

Your spouse or family member may have been offered an accidental death and dismemberment policy through an employer, credit card, or bank. These policies pay benefits if an insured individual dies accidentally. This is another type of life insurance you may be unaware that your spouse or family member had because, occasionally, these policies are offered as part of a loan package or even issued as a free benefit by banks or as a rider to an employer-issued insurance policy. If your spouse or family member died accidentally, look for such a policy in his or her files, or contact his or her employer, bank, credit card issuer, or insurance company.

Travel accident insurance

If your spouse or family member was killed while traveling by air, boat, or train, you may be eligible to receive the proceeds from a travel accident insurance policy that he or she may have purchased when buying tickets. In addition, if your spouse or family member used a credit card to purchase travel tickets, you may be automatically entitled to a life insurance benefit payable if he or she dies as a result of an accident when using those tickets. Some travel agencies and road and travel clubs also routinely issue travel accident insurance policies, and employers sometimes pay death benefits to employees who are killed while traveling on company business.

Mortgage life insurance

If your spouse or family member owned a house, he or she may have purchased mortgage life insurance. A mortgage life insurance policy pays off the balance of the policyholder's mortgage upon his or her death. If you're not sure whether your spouse or family member purchased such a policy, check with the mortgage lender.

Credit life insurance

Banks and finance companies routinely offer credit life insurance when someone takes out a loan or is issued a line of credit. This insurance will pay off the outstanding balance of a loan or account if the insured individual dies. A few extra dollars are added to the monthly loan payments to pay the premiums. Because this type of policy is so profitable for the bank or finance company, most institutions try to sell it when someone finances a purchase or signs up for a line of credit, and occasionally they add it to a contract before the individual signs the contract. So, it's likely that you won't find out that your spouse or family member owned such a policy unless you check with credit card companies, banks, or any lenders to whom your spouse or family member owed money at the time of his or her death.

How do you file a life insurance benefit claim?

- Notify the insurance company that the policyholder has died: You should contact the insurance company as soon as possible. Call the policyholder services department directly. Or, if the life insurance policy was issued through an agent or an employer, ask them to notify the company for you to begin the claims process.
- File a claim form: You'll begin the claims process by filling out and signing a claimant's statement, and then attaching to it an original or certified copy of the policyholder's death certificate. If you are too distraught to fill out the form yourself, your insurance agent may fill it out for you, although you'll still have to sign it. If another beneficiary is named on the policy, that person must also fill out a claim form. You may also have to fill out IRS Form W-9 (Request for Taxpayer Identification Number and Certification), which will enable the insurance company to notify the IRS of any interest it has paid to you on the value of the policy. To expedite your claim, follow the insurance company's instructions carefully.
- Wait for the company to process the claim: Life insurance claims are usually paid quickly, often within a few days. First, however, the insurance company will ensure that you are the beneficiary of the policy, that the policy is current and in force, and that all conditions of the policy have been met. This is usually a simple matter and does not delay the claims process. Claims are more often delayed because the insurance company has not received a valid death certificate. The insurance company also has a right to contest (and perhaps deny) a claim if the insured died within two years following the purchase of the policy and the insurance company believes that there was fraud or a material misstatement made on the application.

How should you receive the life insurance proceeds?

Life insurance proceeds are often paid as lump-sum cash payments. Most people elect this form of payment because it enables them to control how the insurance money is invested or spent. In addition, if you elect to receive a lump-sum payment, you will not owe income tax on the life insurance proceeds.

Another way of receiving the proceeds of a life insurance policy is through a settlement option. Many types of settlement options are available for a beneficiary who is unable or unwilling to manage a lump sum of cash. Either the policyowner chooses the settlement option at the time he or she purchases the policy, or the beneficiary chooses the option at the time the benefit becomes payable (unless the policyowner had chosen an irrevocable option). You will find the available settlement options in the insurance policy.

Note: Some settlement option choices, such as payment as a life annuity, are irreversible. It may be best to take a lump-sum cash payment, put the money in the bank, and contact a qualified financial advisor.

Inheriting an IRA or Employer-Sponsored Retirement Plan

What is it?

When the account owner of a traditional individual retirement account (IRA) or employer-sponsored retirement plan dies, the remaining funds in the account pass to the named beneficiary (or beneficiaries). Unlike many other inherited assets, these IRA or plan funds typically pass directly to the beneficiary without having to go through probate. (Probate is the court-supervised process of administering a will and proving it to be valid.)

These funds are usually subject to federal income tax, unlike some other inherited assets. The portion of a distribution that represents pre-tax or tax-deductible contributions and investment earnings is taxed, while the portion that represents after-tax or nondeductible contributions is not. The difference, of course, is that the beneficiary is the one who must pay the taxes after the account owner has died.

If you are an IRA or plan beneficiary, you might prefer to leave inherited funds in the account as long as you like. This would allow you to postpone taxable distributions indefinitely, while maximizing the tax-deferred growth potential of the funds. Unfortunately, you are not allowed to do this. You will generally be required to take distributions of the inherited funds at some point, possibly sooner than you would like. However, you may have more than one option for taking distributions, and the option you choose can be critical.

Caution: *While Roth IRAs are subject to the same general rules, they are unique in that qualified distributions are free from federal income tax.*

Caution: *This discussion focuses on the general rules regarding options available to a beneficiary that inherits an IRA or employer-sponsored retirement plan. Your IRA or plan may specify the option(s) available to you.*

Beneficiary designations

Primary, secondary, and final beneficiaries

Primary beneficiaries are the IRA owner's or plan participant's first choices to receive the funds. By contrast, secondary beneficiaries (also known as contingent beneficiaries) receive the funds only in the event that all of the primary beneficiaries die or disclaim (i.e., refuse to accept) the funds.

Designated beneficiaries

You may also come across the term "designated beneficiary," which is not the same thing as primary or secondary (contingent) beneficiary. Designated beneficiaries are individuals (and some types of trusts) who were named beneficiaries as of the date of death and — key point — who still have assets in the IRA or plan account as of September 30 of the year following the year of death, which is known as the "determination date." In other words, designated beneficiaries did not either 1) disclaim the inherited assets or 2) take a lump-sum distribution ("cash out") prior to the determination date. Financial organizations need to identify an account's designated beneficiary(ies) in order to determine the distribution options available and to appropriately calculate distribution amounts.

Note: *Neither a charity, estate, nor some types of trusts can be designated beneficiaries.*

Example(s): *If an IRA owner dies and the primary beneficiary does not need the money, the primary beneficiary could make a disclaimer. This might allow the funds to pass to a secondary beneficiary with a greater financial need.*

Note: *In order to be valid for estate and gift tax purposes, a qualified disclaimer — refusal to accept benefits — must be signed by a beneficiary and meet other requirements no later than nine months after a death. Therefore, even though designated beneficiaries are determined on September 30 of the year following the year of a death, a disclaimer may need to be signed much earlier to meet the nine-months-after-death rule.*

Example(s): *A cash out can be an effective strategy in cases where the primary beneficiaries include both individuals and one or more charities. The charity (ineligible as a designated beneficiary) can take its entire share (income tax free) by the September 30 next-year date, leaving only the individuals as remaining beneficiaries who may qualify as designated beneficiaries.*

Caution: *IRS regulations clarify that a designated beneficiary who dies after the death of the IRA owner or plan participant, but prior to the September 30 determination date, is still treated as a designated beneficiary for purposes of calculating post-death distributions from the IRA or plan account.*

Eligible designated beneficiaries

For IRA owners and plan participants dying after December 31, 2019, distributions to a designated beneficiary must be made by the end of a 10-year period unless the designated beneficiary is an eligible designated beneficiary. An eligible designated beneficiary is a designated beneficiary who is the surviving spouse of the employee or IRA owner, a minor child of the employee or IRA owner, disabled, a chronically ill individual, or an individual who is no more than 10 years younger than the employee or IRA owner. There are special rules for certain trusts for disabled or chronically ill beneficiaries.

Factors that determine post-death distribution options

First, if you have inherited an employer-sponsored retirement plan account, the plan is generally allowed to specify the post-death distribution options available to you. These options may not be as flexible as the options permitted under the final IRS distribution rules. For example, depending on whether a plan participant died before or after his or her required beginning date, some plans may provide a different default payout method than the IRS rules. In such a case, you may not be able to elect another payout method as an alternative to the plan's default method. Your first step should be to consult the retirement plan administrator regarding your post-death options as a beneficiary.

The other factor that determines post-death options is the type of beneficiary. Individual beneficiaries generally have more options and flexibility than nonindividual beneficiaries. For example, post-death options are severely limited if the IRA owner or plan participant dies with his or her estate as a beneficiary. This could occur if the estate is named as a beneficiary, or if there are no named beneficiaries (in which case the estate becomes the "default" beneficiary). The same limited options apply when one or more charities are named as beneficiary. Special rules apply when a trust is named as beneficiary. Under certain conditions, the underlying trust beneficiaries can be treated as the IRA or plan beneficiaries for distribution purposes.

For individuals who qualify as designated beneficiaries, the options available further depend on whether the beneficiary is a spouse or another individual. Depending on plan provisions and other factors, nonspousal individuals may have several post-death options. These options may include using the life expectancy method, receiving a lump-sum distribution, taking distributions under the five-year rule, or disclaiming the funds. (See below for a description of each.) The life expectancy method (if available) is often the most favorable method in terms of providing the longest possible payout period (thereby spreading out income taxes and maximizing tax-deferred growth).

A surviving spouse generally has all of the options available to other designated beneficiaries, plus two additional options. A surviving spouse beneficiary can elect to roll over inherited funds to his or her own IRA or plan account (if permitted by the receiving plan), providing income tax and estate planning benefits. A surviving spouse who is the sole beneficiary may also elect to leave the funds in an inherited IRA and treat that IRA as his or her own account. (The option to treat the account as his/her own does not apply to inherited retirement plans.) A surviving spouse who elects to treat an IRA as his or her own can use factors from the favorable uniform lifetime table to determine required distributions. In most cases, it will be in a surviving spouse's best interest to exercise one of the two additional options (unless he or she needs the money immediately).

Tip: *Nonspouse beneficiaries cannot roll over inherited funds to their own IRA or plan. However, a nonspouse beneficiary may make a direct rollover of certain death benefits from an employer-sponsored retirement plan to an inherited IRA. (See Nonspouse rollover to an inherited IRA below.)*

Tip: *If a retirement plan participant died before beginning to take required minimum distributions, a surviving spouse can generally wait until the year the participant would have reached age 72 to begin taking distributions from the account.*

Tip: *Once a post-death payout method is in place, the IRA or plan beneficiary is usually allowed to take larger distributions than required (including, in most cases, a lump-sum distribution of the beneficiary's entire share). However, if the beneficiary receives less than required in any year, a 50% federal penalty tax will apply to the undistributed required amount. This penalty tax would be in addition to regular income tax.*

Post-death distribution options for designated beneficiaries

Remember, only individuals who meet certain requirements can be designated beneficiaries of an IRA or retirement plan account. The post-death distribution options available to designated beneficiaries generally include one or more of the following. (Be sure to talk to the administrator of an inherited employer-sponsored plan account to determine the options available.)

Life expectancy method

This method involves taking distributions over a beneficiary's single life expectancy (or, in some cases, over the deceased account owner's remaining single life expectancy). If the account owner was younger than 72 when he or she died, the distributions must begin no later than December 31 of the year following the year of the IRA owner's or plan participant's death [or, for spouses of the account holder, by December 31 of the year in which the account owner would have turned 72, whichever is later]. If the account owner was 72 or older, distributions must begin by December 31 of the year after the year of death. If the account owner reached age 72 (or for employer-sponsored plans, an alternative required beginning date) in the year of death but had not taken his/her first RMD, the beneficiary must take at least that amount by December 31 of that year.

A surviving spouse who elects to treat an IRA inherited from his or her spouse as his or her own can delay distributions until the surviving spouse reaches age 72 and can use factors from the favorable uniform lifetime table (rather than the single life expectancy table) to determine required distributions.

For IRA owners and plan participants dying after December 31, 2019, the life expectancy method will generally be available only if the designated beneficiary is an eligible designated beneficiary. An eligible designated beneficiary is a designated beneficiary who is the surviving spouse of the employee or IRA owner, a minor child of the employee or IRA owner, disabled, a chronically ill individual, or an individual who is no more than 10 years younger than the employee or IRA owner.

Five-year rule

This method involves taking distributions in any amount and at any time within a five-year period. The five-year period ends on December 31 of the year during which the fifth anniversary of the IRA owner's or plan participant's death occurs. If there is no designated beneficiary and the death occurred before the account owner's required beginning date, the five-year rule is the default rule. In other cases, the life expectancy method is the default rule. However, a designated beneficiary can often still elect the five-year rule as an alternative payout method. From a tax standpoint, it is usually not as desirable as the life expectancy method.

Note: *The 5 year-period for defined contribution plans (other than 457 plans for nongovernmental tax-exempt organizations) and IRAs is determined without regard to calendar year 2020. Thus, if the decedent died in 2015 to 2019 and distributions are subject to the 5-year rule, 2020 would be within the 5-year period and the 5-year period would effectively be extended to 6 years.*

Ten-year rule

This method involves taking distributions in any amount and at any time within a ten-year period. The ten-year period ends on December 31 of the year during which the tenth anniversary of the IRA owner's or plan participant's death occurs. For IRA owners and plan participants dying after December 31, 2019, distributions to a designated beneficiary must be made by the end of a 10-year period unless the designated beneficiary is an eligible designated beneficiary (see above). The ten-year rule also applies after the death of an eligible designated beneficiary or after a minor child reaches the age of majority.

Lump-sum distribution

This distribution method involves withdrawing a beneficiary's entire interest in an inherited IRA or retirement plan account within one tax year. This can take the form of a single distribution of the entire interest, or multiple distributions spread over the one-year period. In most cases, any designated beneficiary can elect a lump-sum distribution of his or her share of an inherited IRA or plan account. However, other post-death payout options are typically available, and will usually be more attractive from a tax standpoint. A lump-sum distribution can have very undesirable tax consequences.

Roll over the remaining interest

This special post-death option is available only to surviving spouses who are designated beneficiaries. It involves "rolling over" the surviving spouse's interest in the inherited IRA or plan account to the spouse's own IRA or plan. A surviving spouse can generally elect this option regardless of whether the IRA owner or plan participant had begun taking lifetime required minimum distributions (RMDs). Once in the spouse's IRA or plan, the funds continue to grow tax deferred, and distributions need not begin until the spouse's own required beginning date. Also, the spouse can name beneficiaries of his or her choice.

Disclaim the inherited funds

Any designated beneficiary can opt to disclaim his or her share of the inherited IRA or plan account. Disclaiming simply means refusing to accept the inherited funds, allowing them to pass to another individual or entity (i.e., a secondary beneficiary). A qualified disclaimer must be completed within nine months of the date of death. This nine-month deadline usually occurs before the September 30 next-year date. Disclaiming sometimes makes sense for tax and/or personal reasons.

Post-death distribution options for nondesignated beneficiaries

Charities and estates can be beneficiaries of an IRA or retirement plan account, but they cannot be designated beneficiaries because they are not individuals. In addition, individuals who are beneficiaries of an IRA or plan may not qualify as designated beneficiaries under certain conditions. The post-death distribution options available to nondesignated beneficiaries generally include one or more of the following.

Five-year rule

If an IRA owner or retirement plan participant dies before his or her required beginning date for lifetime RMDs, and there are no designated beneficiaries on the account, required post-death distributions generally must be taken according to the five-year rule.

Distributions over the account owner's remaining life expectancy

If an IRA owner or retirement plan participant dies on or after his or her required beginning date for lifetime RMDs, and there are no designated beneficiaries on the account, required post-death distributions generally must be taken over the account owner's remaining single life expectancy (calculated in the year of death according to IRS life expectancy tables).

Lump-sum distribution

As an alternative to either of the above payout methods, a nondesignated beneficiary (just as a designated beneficiary) generally has the option of receiving a lump-sum distribution of the inherited IRA or plan funds. Again, though, this may not be advisable from a tax standpoint.

Disclaim the inherited funds

As an alternative to any of the above payout methods, a nondesignated beneficiary (just as a designated beneficiary) generally has the option of disclaiming inherited IRA or retirement plan funds.

Nonspouse rollover to an inherited IRA

Note: *For IRA owners and plan participants dying after December 31, 2019, distributions to a designated beneficiary must be made by the end of a 10-year period unless the designated beneficiary is an eligible designated beneficiary (see above). The benefits in the IRS Notice discussed below are likely to be more restricted if death occurred after 2019.*

While nonspouse beneficiaries cannot roll over inherited funds from an employer plan to their own IRA, they can make a direct (trustee to trustee) rollover from a 401(k), 403(b), or governmental 457(b) plan to an inherited IRA. If a nonspouse beneficiary elects a direct rollover, the amount directly rolled over is not includible in gross income in the year of the distribution.

The ability to make a rollover to an IRA is significant because employer plans often require faster payouts to nonspouse beneficiaries than the law requires, accelerating taxation for these individuals. IRAs on the other hand generally allow distributions to be spread over the maximum period permitted by law, permitting tax deferral for the longest period of time. The IRS provided guidance on nonspouse rollovers from employer sponsored plans to IRAs. IRS Notice 2007-7 provides that:

- The IRA must be established in a manner that identifies it as an inherited IRA, and also identifies the deceased employee and the beneficiary, for example, "Tom Smith as beneficiary of John Smith."
- An indirect rollover — where the beneficiary receives the distribution and then rolls the funds over to an IRA within 60 days — is not allowed
- A plan can make a direct rollover to an IRA on behalf of a trust where the trust is the deceased employee's named beneficiary, provided the beneficiaries of the trust can be treated as designated beneficiaries under IRS required minimum distribution (RMD) rules, and the trust is identified as the IRA beneficiary.
- The nonspouse beneficiary can't roll over RMDs to the inherited IRA.

The Notice provides complex rules for determining both the RMDs ineligible for rollover from the employer plan, and the RMDs required from the IRA after the rollover:

1. The employee dies before his or her required beginning date, and the five-year rule applies. Under the five-year rule, no amount has to be distributed by the retirement plan to the beneficiary until the end of the fifth calendar year following the year of the employee's death. In that year, the entire remaining amount that the beneficiary is entitled to under the plan must be distributed. Notice 2007-7 provides that the beneficiary can directly roll over his or her entire benefit until the end of the fourth year. On or after January 1 of the fifth year following the year in which the employee died, no amount payable to the beneficiary is eligible for rollover. Most importantly, Notice 2007-7 provides that if the beneficiary was subject to the five-year rule in the employer plan, the five-year rule will continue to apply to for purposes of determining RMDs from the inherited IRA after the rollover.

However, even where the five-year rule applies, a special rule allows a nonspouse beneficiary to determine the RMD under the employer plan using the life expectancy rule, roll the balance over to an inherited IRA, and continue to take RMDs from the IRA using the life expectancy rule — which provides the maximum tax deferral for the beneficiary. To use this special rule the rollover must occur no later than the end of the year following the year in which the employee dies.

Example(s): *Sam, a participant in his employer's 401(k) plan, dies on June 1, 2018. The 401(k) plan provides that beneficiaries must receive their entire balance from the plan under the five-year rule. Therefore June, Sam's beneficiary, must receive the entire balance no later than December 31, 2023. June would like to defer taxes on her inherited funds for as long as possible. If she makes a direct rollover to an inherited IRA by December 31, 2019, she will be able to use the life expectancy rule, rather than the five-year rule, when calculating her RMDs from the IRA. Her rollover must be reduced by the amount of RMDs that would have been required under the employer plan using the life expectancy rule. If June fails to make her rollover by December 31, 2019, then she will still be able to make a rollover to an inherited IRA (no later than December 31, 2023), but will have to continue to use the five-year rule when calculating her RMDs from the IRA. That is, she will still be required to receive all the funds in the inherited IRA no later than December 31, 2023.*

2. The employee dies before his or her required beginning date, and the life expectancy rule applies. If the life expectancy rule applies, the amount ineligible for rollover includes all undistributed RMDs for the year in which the direct rollover occurs and any prior year. After the rollover, the life expectancy rule continues to apply in determining RMDs from the inherited IRA. RMDs are determined using the same applicable distribution period as would have been used under the employer plan if the direct rollover had not occurred.

3. The employee dies on or after his or her required beginning date. If an employee dies on or after his or her required beginning date, the amount ineligible for rollover includes all undistributed RMDs for the year in which the direct rollover occurs and any prior

year, including years before the employee's death. After the rollover, the life expectancy rule continues to apply in determining RMDs from the inherited IRA. The RMD under the IRA for any year after the employee's death must be determined using the same applicable distribution period as would have been used under the employer plan if the direct rollover had not occurred.

Claiming Survivor's and Death Benefits

What is it?

After the death of your spouse, you may be eligible to receive survivor's benefits and death benefits from government sources, from your spouse's employer, and from retirement plans.

Social Security benefits

Social Security survivor's benefits

If your spouse (or former spouse) was self-employed or employed in a job where he or she paid Social Security payroll taxes, you may be eligible to receive Social Security survivor's benefits. The following table illustrates the eligibility requirements for survivor's benefits:

Beneficiary	Age	Insured Status of Worker	Conditions That Must Be Met
Spouse (no dependent child)	60 or over (50 or over if disabled)	Fully insured	Has not remarried before age 60 (age 50, if disabled) unless subsequent marriage ended, and must have been married to worker at least nine months just before worker died (unless death was accidental or military-related), or be the parent of the worker's natural or adopted child
Spouse of worker (with dependent child who is entitled to child's benefits)	Any age	Fully or currently insured	Has not remarried unless subsequent marriage ended, and is not already eligible to receive a larger benefit in another category
Divorced spouse of worker (no dependent child)	60 or over (50 or over if disabled)	Fully insured	Has not remarried before age 60 (or if disabled, before age 50), unless subsequent marriage ended, and was married to worker for at least 10 years
Divorced spouse of worker (with dependent child entitled to child's benefits)	Any age	Fully or currently insured	Has not remarried (unless subsequent marriage ended) and is not already eligible for larger benefit in another category

How much you receive depends on your spouse's lifetime earnings, how many other members of your family are receiving benefits, and what beneficiary category you fit into.

Tip: *The amount of Social Security survivor's benefit you receive will be reduced (even to zero) if you have earnings over the annual exempt amount, unless you are disabled. If you are under normal retirement age, your Social Security benefit will be reduced by $1 for every $2 you earn over the annual exempt amount (in 2012, $14,640).*

Social Security death benefit

If you were living in the same household as your spouse at the time of his or her death and your spouse was fully or currently insured for Social Security benefits, you may be entitled to receive a $255 lump-sum death benefit from the Social Security Administration.

Who to contact for more information

Social Security benefits are not automatic; you must apply for them. Although the Social Security Administration (SSA) suggests that you apply for survivor's benefits in the month of your spouse's death, benefits may be paid retroactively. To apply for the death benefit, call the Social Security Administration (SSA) at (800) 772-1213 or contact your local SSA office.

Federal employees' survivor benefits

Federal Employees Retirement System (FERS) benefits

If your spouse or ex-spouse was a civilian federal employee covered by FERS, you may be eligible to receive a survivor's benefit. Benefits can be paid both to survivors of workers who die before retirement (whether employed by the government at the time of death or separated from government service but entitled to a deferred annuity) and to survivors of retirees (unless the retiree and his spouse elected not to pay for the survivor annuity). Benefits may be paid in the form of a monthly annuity, a lump-sum cash payment, or both, depending on how long the employee worked for the government and whether he or she was currently or formerly employed at the time of his or her death. The following table illustrates the eligibility requirements for FERS survivors' benefits:

Beneficiary	Age	Conditions
Surviving spouse of worker employed at time of death	Any age	Must have been married to employee for at least nine months or must be the parent of a child of the marriage, or employee's death must have been accidental
Surviving ex-spouse of worker employed at time of death	Any age	Must have been married to the employee for at least nine months, have not been remarried before age 55, and have a court order or approved settlement agreement providing that survivor annuity will be paid
Surviving spouse of retired worker	Any age	Must have been married to the employee for at least nine months or must be a parent of a child of the marriage, or the death of the retired employee was accidental and employee and spouse did not waive right to a survivor's annuity
Surviving ex-spouse of retired worker	Any age	Must have been married to worker for at least nine months, have not been remarried before age 55, and have a court order or approved property settlement agreement. These conditions can be waived if worker elected to provide his or her former spouse with an insurable interest annuity at the time he or she retired

Civil Service Retirement System (CSRS) benefits

If your spouse or ex-spouse was covered under CSRS, you may be eligible to receive a survivor's annuity paid until you die or remarry (unless you remarry after age 55). In general, eligibility requirements are the same as those under FERS, with one notable exception. While a former spouse of a FERS employee separated from government service may be entitled to a survivor's annuity even if that employee dies before reaching retirement age, the former spouse of a CSRS employee will not be.

Survivor's benefits for state government employees

Some state employees are covered under retirement programs (similar to CSRS) that serve as alternatives to Social Security. Instead of paying Social Security taxes, they contribute a portion of their paychecks (matched by the government employer) to a money market fund or investment fund that grows until retirement and then is paid out in the form of an annuity. If your spouse was a state or local employee, check with his or her employer for information about survivor's benefits.

Social Security benefits may affect your FERS or CSRS benefit

Survivors' benefits you receive under FERS or CSRS may reduce (or be reduced by) benefits you receive from Social Security.

Who to contact

Contact the Office of Personnel Management (OPM), 1900 E Street NW, Washington DC 20415, or call (202) 606-1800 to locate your nearest regional office. You can also access information (including benefit handbooks) via the Internet at the OPM website (www.opm.gov).

Military servicemembers survivor's and death benefits

Death gratuity payments

Survivors of members of the military who have been killed while on active duty may receive a $100,000 death gratuity payment fully tax free.

Burial-related expenses

Burial allowances are available to the survivors of servicemembers who die on active duty and to the survivors of some other veterans. The government provides free markers and headstones to some veterans, as well as some final honors such as flags, presidential certificates, and an honor guard. Almost all veterans are eligible for burial in a national cemetery.

Dependency and Indemnity Compensation (DIC)

Dependency and Indemnity Compensation (DIC) provides a monthly pension to widows, widowers, dependent children, and low-income parents of some deceased active duty servicemembers and some disabled veterans (if disability was service-related). Beneficiaries receive a fixed monthly benefit that usually increases annually with inflation. If you need nursing home care or are housebound, DIC will also pay you an extra benefit. Receiving money from DIC will decrease the amount that you receive from another benefit plan, the Survivor's Benefit Plan (SBP), but is not affected by (and does not affect) Social Security.

The Survivor's Benefit Plan (SBP)

The SBP provides a monthly lifetime annuity payment to qualified widows, widowers, dependent children, and some ex-spouses who are survivors of a retired military servicemember. A retired servicemember automatically is covered by the SBP when he or she retires after 20 years of service, but may elect reduced coverage or no coverage for his or her survivors, if his or her spouse concurs. The annuity you will receive as a survivor depends on the amount your spouse designated when he or she retired.

Death pension

Available to qualified survivors of low-income veterans, the death pension provides a fixed monthly benefit that usually increases annually with inflation. The amount of monthly benefit a survivor receives depends on the survivor's other income and whether other dependents reside with the survivor.

Educational assistance

Monthly educational assistance payments can be made to spouses and children of disabled veterans who die. These payments can help pay for college or university classes, secondary school programs, remedial education, apprenticeships, and other courses of study.

Home loans

The widow or widower of a servicemember who died on active duty or as a result of a service-connected illness or injury may qualify for a VA home loan to purchase a primary residence. The loan is issued by a financial institution but guaranteed by the federal government. The primary advantages of VA home loans are that they often require no down payment and, because the loan is partially guaranteed by the federal government, no mortgage insurance payments.

Federal job preference

Survivors of servicemembers who died on active duty or as a result of a service-connected disability may receive ten extra points on the results of a competitive examination for a federal job.

Health insurance

The spouse or dependent child of a veteran who died as a result of a service-connected disability or who died on active duty may purchase government-backed health insurance called CHAMPVA. This health insurance costs less than insurance available from private sources because it is government-subsidized.

Who to contact to apply for benefits

For information or to apply for benefits, call the Department of Veterans Affairs (VA) at (800) 827-1000 or contact your nearest VA office.

Qualified benefit plans and IRAs

Qualified benefit plans

When your spouse dies, call his or her employer or plan administrator to ask about what benefits may be payable to you. Your spouse may have contributed to one or more plans designed to provide retirement income, including profit-sharing plans, 401(k) plans, 403(b) plans, stock option plans, Keogh plans, and thrift/savings plans. He or she may also have assets in a traditional defined benefit pension plan that was funded entirely through employer contributions. Different rules surround different plans, but in general, qualified pension plans must provide both pre-retirement survivor annuities and post-retirement survivor annuities. This means that even if your spouse died before retirement and was not yet vested in a qualified pension plan, you may be entitled to receive a survivor annuity (or other payment form) unless you waived that right at some point.

IRAs

If your spouse owned an IRA and named you as the beneficiary, you have several options in taking funds from the IRA. Your options include taking the proceeds of the IRA as a lump-sum distribution or rolling them over to your own IRA. If you elect a lump-sum distribution of your spouse's IRA, you will not owe the normal 10 percent premature withdrawal penalty tax, even if you are under age 59½. However, if the funds come from a traditional IRA, the amount you receive will generally be included in your taxable income (qualifying distributions from Roth IRAs are tax free). Rolling over the IRA proceeds to your own IRA provides you with a great deal of flexibility and control. You can name your own beneficiary or beneficiaries, and can postpone taking distributions (distributions from traditional IRAs, though, generally must begin after age 70½). You should weigh your options carefully, using your income needs, expected return on investments, and tax consequences as a guide.

Questions & Answers

Does the former spouse of a federal employee who died while employed under FERS have any claim to his or her pension benefits?

Possibly. It depends on the terms of the divorce. A former spouse may have been awarded a court-ordered survivor's annuity or may have the rights to an insurable interest annuity if his or her former spouse elected to provide one. He or she may also be eligible for Social Security survivor's benefits based on the Social Security earnings record of his or her former spouse.

What should you do if you receive Social Security checks in your spouse's name after his or her death?

Don't cash them. The law requires that these checks be returned. Send them back to the Social Security Administration right away. For information on the procedure to follow, call the SSA at (800) 772-1213.

If you are already receiving Social Security benefits and your spouse dies, how will your spouse's death affect your benefit?

An individual entitled to Social Security benefits may be eligible to receive a greater benefit as a widow than he or she would as a retiree. If so, then his or her Social Security benefit may be adjusted automatically.

Filing a Final Income Tax Return

Who should file the return?

Estate representative

If a court has appointed a personal representative or other estate administrator, that individual is required to file returns for the decedent. If the decedent was married at the time of death, the representative and surviving spouse, if they both agree, may file a joint tax return. If the surviving spouse remarries before the end of the tax year, however, the representative must file for the decedent as married filing separately.

Surviving spouse

If a court hasn't appointed an estate representative by the deadline for the return, the surviving spouse alone can file a joint return as long as he or she hasn't remarried before the end of the tax year. A spouse can file a joint return even if the appointment of an estate representative is expected. The representative may, once appointed, revoke the election to file jointly, though.

Technical Note: *If the surviving spouse is appointed representative, he or she files for the decedent as representative and not as surviving spouse.*

Person in charge of decedent's property

If there is no court-appointed representative and no surviving spouse, a "person in charge of the decedent's property" must file the return. This "person" may be anyone in actual or constructive possession of the decedent's property. Generally, the heirs informally designate one person among the beneficiaries to act in this capacity. A person in charge of the decedent's property should only file the return if the estate won't require probate. If the return shows a refund, the person is required to verify on Form 1310 that a court hasn't and won't appoint a representative.

Declaring income in the year of death

The items you include in the final federal income tax return depend on whether the decedent was a cash or accrual method taxpayer. If the decedent used the cash method of accounting, you include items of income received before death, and deduct those expenses that the decedent paid before death. If he or she used the accrual method, then you include items accrued before death. You report any income after death on the estate's income tax return or on the tax return of the beneficiary who received it directly.

An incorrect Form 1099

If the decedent's Form 1099 reflects income both prior to and after death, you should request and obtain a corrected 1099. If you cannot obtain one, report the income as nominee interest or dividends. List the entire income from the 1099 on Schedule B. On a separate line, subtract the amount attributable to the estate or other beneficiary. Label this subtraction "Nominee Distribution." Then, issue a Form 1099-INT or 1099-DIV to the estate or beneficiaries. Also, file Forms 1099 and 1096 with the IRS.

Deductions, personal exemption, and credits

Itemized deductions

The general rule is that you handle deductions for a decedent the same way you handle them for living individuals. Deductions are allowed for items paid before the decedent's death that would have been deductible by the decedent as of the date of death (accrued before death for accrual method taxpayers). The following exceptions apply:

- Medical costs paid by decedent's estate within one year of death — These medical costs can be deducted either on Schedule A of the decedent's Form 1040 or on the estate tax return. If they are to be deducted on the decedent's Form 1040, the deductions aren't automatically on the final 1040. Rather, you deduct each expense on the Form 1040 in the year the expense was incurred. This may require the filing of an amended federal income tax return on Form 1040X to deduct expenses incurred in an earlier taxable year. When such expenses are taken on Form 1040, you must attach a statement to the return stating that the expenses have not been and will not be claimed on an estate tax return.

Tip: *A taxpayer who paid medical expenses for a deceased spouse or dependent can deduct the expenses in the year paid without attaching an election statement.*

- Pension or annuity without a surviving annuitant — If the decedent was receiving a pension or annuity and some investment was lost because there was no surviving annuitant, you can deduct the lost investment as a miscellaneous itemized deduction not subject to the 2 percent adjusted gross income (AGI) limitation.

Technical Note: *Funeral, probate, and other estate expenses may be deductible on one of the estate returns, but aren't deductible on the decedent's final Form 1040.*

Standard deduction and personal exemption

The standard deduction and personal exemption generally can be claimed in full as if death hadn't occurred. A decedent can't use the standard deduction if the surviving spouse files separately and itemizes. In addition, a decedent can't claim the personal exemption if someone else can claim the decedent as a dependent. Personal exemptions are suspended for 2018 to 2025.

Credits

You can claim, on the decedent's return, any credits that the decedent was eligible for before death. You may claim an earned income credit on behalf of a decedent, even if the decedent's return covers only part of a year and he or she wouldn't have qualified with a full year's income. A decedent's earned income credit is refundable if it exceeds the decedent's tax liability for the year.

Headings and signing the forms

Headings

Regardless of whether you file a joint return or a separate return for the decedent, you should write the following across the top of the tax return:

- "DECEASED"
- The decedent's name
- The date of death

If you file a joint return, write the names, address, and Social Security numbers of the decedent and surviving spouse in the space provided. If you file a separate return for the decedent, write the decedent's name in care of the person filing the form and that person's address.

Signing the forms

The following are the procedures for an estate representative, a surviving spouse, and a person in charge of a decedent's property:

- Estate representative — A court-appointed representative must sign the return and include his or her title. In the case of a joint return, the representative signs for the decedent and the surviving spouse signs, as usual, in the space for his or her signature. If the spouse is serving as the representative, he or she should sign the return twice. Note that the surviving spouse shouldn't, in this circumstance, write the words "Filing as Surviving Spouse" on the signature line.
- Surviving spouse — A surviving spouse should first write "Filing as Surviving Spouse" in the space for the decedent's signature. He or she then signs in the space for his or her signature.
- Person in charge of a decedent's property — That person should sign his or her name followed by the words "Personal Representative."

Documents needed to claim a refund

If the tax return shows a refund, Form 1310 or other documentation may be required, depending on who files and signs the return. The following table outlines the required documentation in various circumstances:

Returns/Documents Required for Filing				
If the return is filed and signed by:		**Then these documents are required to claim refund:**		
Court-Appointed Representative	**Surviving Spouse**	**Form 1310**	**Court Certificate**	**Death Certificate**
Yes	Yes	No	Yes	No
Yes	No	No	Yes	No
No	Yes	No	No	No
No	No	Yes	No	Yes

Early filing

A decedent's Form 1040 must be filed on forms for the appropriate tax year and is due at the same time that the decedent's income tax return would have been due had death not occurred. The return can't be filed early so that the personal representative can be discharged and the probate estate closed.

Filing an Estate Tax Return

What is an estate tax return?

When you die, you will leave behind all your property (everything you own) and debts (everything you owe). All this is called your estate. After the debts have been paid, the various items left in your estate will be transferred to your heirs and beneficiaries, but first the federal government will take its share through estate taxes (gift and estate tax and generation-skipping transfer tax). The personal representative of your estate must file an estate tax return with the IRS if the value of your gross estate at death together with the value of all taxable gifts you made during life is more than a certain amount ($12,060,000 plus any deceased spousal unused exclusion amount in 2022). The federal estate tax return (Form 706) lets the IRS know how the estate taxes are calculated and how much tax is owed. Generally, the estate tax return must be filed within nine months after your death, but an automatic six-month extension is available if Form 4768 is filed on or before the due date for filing Form 706. An additional six months may be granted for good cause shown. The late filing penalty is 5 percent of the taxes due per month, up to 25 percent. This is in addition to any late payment penalty.

An estate tax return may also need to be filed with your state. This discussion focuses on the federal return only. Contact your state for information regarding its state death taxes.

Caution: *The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act introduced a new portability feature, which allows a surviving spouse to take advantage of the unused applicable exclusion amount of a predeceased spouse who died after December 31, 2010. Normally an estate valued at less than the available exclusion amount would not be required to file an estate tax return; however, a return will now be necessary for nontaxable estates in order to record the amount of a decedent's unused exclusion amount for a surviving spouse who may want to use it later.*

Tip: *If you are the owner of a closely held business, your personal representative may be able to defer payment of estate taxes owed on that interest for up to 15 years.*

How do you calculate estate tax liability?

Calculating estate taxes is similar to calculating income taxes. It is basically a four-step process:

- Determine what is taxable
- Determine what isn't taxable
- Calculate the tentative estate tax
- Subtract allowable credits from the tentative tax

The calculation looks something like this:

	Gross Estate (reduced by qualified conservation easement exclusion)
-	Funeral and administration expenses, claims and losses, charitable transfers, marital transfers, and state death taxes
=	Taxable estate
+	Adjusted taxable gifts
=	Cumulative taxable transfers
	Tax on cumulative taxable transfers
-	Gift tax payable on adjusted taxable gifts (as reduced by unified credit)
=	Tentative tax
-	The unified credit (or applicable credit amount), pre-1977 gift tax credit, foreign death tax credit, and credit for tax on prior transfers
=	Final estate taxes payable

How do you file an estate tax return?

The following explains how to fill out Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return and the various attachments.

Caution: *This discussion here is for information purposes only. Do not attempt to complete an estate tax return based solely on the information provided here. Please consult Form 706 and the instructions to Form 706 for further information. You may also wish to consult an attorney or tax professional before filing an estate tax return.*

Part 1 — Decedent and Executor

This section is looking for identifying information about the decedent, including name, Social Security number, domicile at time of death, year domicile was established, date of birth, and date of death. The executor's or administrator's name, address, and Social Security number must also be supplied. Additional questions ask whether the decedent left a will, the name and location of the court where the will was probated or the estate was administered, and the case number.

Part 2 — Tax Computation

This section is completed last as it contains information from other sections of the return and the applicable Schedules. After adding adjusted taxable gifts and subtracting allowable deductions from the gross estate, you will calculate a tentative tax (or gross estate tax). The estate taxes will then be reduced by available credits. When all the calculations are complete, the number on the bottom line of this section is what the estate owes the IRS.

Part 3 — Elections by the Executor

Generally, the value of your gross estate is the fair market value of all property on the date of your death. However, if your estate qualifies, your personal representative may elect the alternate valuation date that allows the gross estate to be valued six months after the date of death or on the date an asset is disposed of, whichever is earlier. The purpose of the alternate valuation date is to permit a reduction of the tax liability if the value of the estate's property has decreased since the date of death. Special use valuation may also be available for certain farm and closely held business real property. This election allows the property to be valued at its actual value, rather than at its fair market value. Certain other elections may be made on this part of the form as well.

Part 4 — General Information

This section includes information about the decedent's occupation and marital status, along with information about the surviving spouse and the beneficiaries of the estate, such as children and grandchildren. There are also questions about whether gift tax returns have been filed and what types of property were owned by the decedent.

Part 5 — Recapitulation

This is the section where the gross estate and allowable deductions are calculated. Totals from various schedules are entered to make this calculation. Every line must be filled in, even if the entry is 0. Do not enter anything in the Alternate Value column unless the alternate valuation date is elected. Attach the appropriate Schedule for each item in Part 5.

Part 6 — Portability of Deceased Spousal Unused Exclusion Amount (DSUEA)

An election to transfer the unused applicable exclusion amount of the decedent to the surviving spouse can be made here. Also, the DSUEA received by the decedent from a predeceased spouse and applied against lifetime gifts are listed and a total calculated in Part 6.

Schedule A — Real Estate

Provide the address and legal description of all real estate owned by the decedent. If the estate is liable for a mortgage, report the full value of the property in the value column without subtracting the mortgage liability. Show the amount of the mortgage in the description column. The amount of the unpaid mortgage is subtracted on Schedule K.

Schedule B — Stocks and Bonds

Report all stocks and bonds owned by the decedent, including the face amount of bonds, number of shares of stock, unit value, and value as of the date of death (or alternate valuation date, if elected).

Schedule C — Mortgages, Notes, and Cash

Use Schedule C to report mortgages, promissory notes, and cash items held by the decedent at the time of death. Include a description of each item (e.g., the amount of a mortgage, its unpaid balance and the origination date, the borrower and the lender, the location of the mortgaged property, the interest rate). Cash on hand should be reported, as well as the balances of any checking or savings accounts held by the decedent.

Schedule D — Insurance on the Decedent's Life

Schedule D must be completed if there is insurance on the decedent's life, regardless of whether it is included in the gross estate. If the decedent possessed any incidents of ownership at death, those policies must be reported, whether the proceeds are payable to the estate (or for the benefit of the estate) or to any other beneficiary.

Schedule E — Jointly Owned Property

All jointly owned property must be reported on Schedule E, regardless of whether the property is included in the gross estate. For the purposes of this form, jointly owned property includes property of any type in which the decedent held an interest as a joint tenant with right of survivorship or as a tenant by the entirety.

Schedule F — Other Miscellaneous Property

Schedule F covers all property included in the gross estate that is not listed elsewhere, such as tangible personal property, business interests, and insurance on the life of another. This schedule must be attached, even if there is no miscellaneous property to report, because it contains questions that must be answered about art, collectibles, bonuses, awards, and safe deposit boxes.

Schedule G — Transfers during Decedent's Life

The following transfers should be reported on Schedule G:

- Gift taxes paid on gifts made by the decedent or the decedent's spouse within three years before death
- Transfer of life insurance policies made within three years before death
- Transfer of life estate, reversionary interest, or power to revoke within three years before death
- Transfers with retained life estate where the decedent retains the right to designate a beneficiary of the property transferred
- Transfers taking effect at death
- Revocable transfers

Schedule H — Powers of Appointment

If the decedent possessed any powers of appointment, Schedule H must be completed. A power of appointment means that you have the power to determine who will own or enjoy the property subject to the power. The power must be created by someone other than the decedent. If you answered Yes to line 13 of Part 4, then General Information, Schedule H must also be completed.

Schedule I — Annuities

Annuities owned by the decedent are reported on Schedule I. Any annuity must be included in the gross estate if it meets the following requirements:

- It is receivable by a beneficiary following the death of the decedent by virtue of surviving the decedent
- It is under contract or agreement entered into after March 3, 1931
- It was payable to the decedent, either alone or in conjunction with another, for the decedent's life, or a period not ascertainable without reference to the decedent's death, or for a period that did not end before the decedent's death
- The contract or agreement is not an insurance policy on the life of the decedent

Many retirement plan benefits constitute annuities, and Schedule I is the proper place to list these benefits.

Schedule J — Funeral Expenses and Expenses Incurred in Administering Property Subject to Claims

Various deductible expenses and fees associated with managing the estate are itemized on Schedule J. Items to be reported on this form include funeral expenses, executor's fees, attorney's fees, certain interest expenses incurred after the decedent's death, and miscellaneous expenses incurred in preserving and administering the estate.

Schedule K — Debts of the Decedent, and Mortgages and Liens

Debts of the decedent on the date of death are deducted on Schedule K. Debts of the estate incurred after the date of death are not reported on Schedule K.

Schedule L — Net Losses during Administration and Expenses Incurred in Administering Property Not Subject to Claims

Losses that will not be claimed on a federal income tax return are itemized on Schedule L. These items include losses from thefts, fires, storms, shipwrecks, or other casualties that occurred during the settlement of the estate. Expenses other than those listed on Schedule J are also reported on Schedule L, whether these expenses are estimated, agreed upon, or paid.

Schedule M — Bequests, etc., to Surviving Spouse

Property interests passing to the surviving spouse are reported on Schedule M. This item includes property interests the spouse receives by any of the following methods.

- As the decedent's heir, donee, legatee, or devisee
- As the decedent's surviving joint tenant or tenant by the entirety
- As beneficiary of life insurance on the decedent's life

- Under dower or curtesy or similar statute
- As a transferee of a transfer made by the decedent at any time
- As beneficiary of a trust created and funded by the decedent, provided the trust contains certain specified provisions for the spouse

Only property that is included in the decedent's gross estate can be claimed as a deduction using Schedule M.

Schedule O — Charitable, Public, and Similar Gifts and Bequests

Charitable gifts deducted from the gross estate are itemized on Schedule O. You must also provide a statement that shows the values of all legacies and devises for both charitable and noncharitable use, the date of birth of all life tenants or annuitants, a statement showing the value of all property that is included in the gross estate but does not pass under the will, and any other important information.

Schedule P — Credit for Foreign Death Taxes

If death taxes are being paid to any foreign country, these amounts must be reported on Schedule P to claim a credit against the gross estate. All amounts paid or to be paid for foreign death taxes must be entered in United States currency.

Schedule Q — Credit for Tax on Prior Transfers

If the decedent received property from a transferor who died within 10 years before or 2 years after the decedent, a partial credit is allowable for the taxes paid by the transferor's estate. This credit is calculated using Schedule Q.

Schedule R — Generation-Skipping Transfer (GST) Tax

Schedule R is used to calculate the generation-skipping transfer (GST) tax that is payable by the estate. GST tax is typically imposed on property transferred to an individual who is two or more generations below the decedent. For purposes of Form 706, property interests being transferred must be includable in the gross estate before they are subject to the GST tax.

Schedule U — Qualified Conservation Easement Exclusion

A portion of the value of land that is subject to a qualified conservation easement may be excluded from a decedent's gross estate. Schedule U is used to make this election.

Schedule PC — Protective Claim for Refund

Schedule PC can be used to preserve the estate's right to claim a refund based on the amount of an unresolved claim or expense that may not become deductible under Section 2053 until after the limitation period ends.

Where can you get help filing an estate tax return?

There are many professionals who can assist you in filing an estate tax return, including your attorney, your tax professional, or your financial advisor. In addition, there are now software products designed to guide you through the process of filling out an estate tax return.

IMPORTANT DISCLOSURES Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

Registered Representative. Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC.

Investment Advisor Representative . Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Cambridge and Vision Financial Group are not affiliated.

IMPORTANT DISCLOSURES
This handout is provided as a part of the University of Iowa Tippie College of Business' Life Lessons webinars. These webinars are designed to provide an overview of matters you may wish to consider at different stages of life. The webinar information does not, and is not intended to, constitute legal or financial advice; instead, all webinar information, content, and materials (including this handout) are for general information purposes only. Please contact your personal financial advisor or attorney to obtain advice with respect to your specific circumstances.