

BECOMING A PERSONAL REPRESENTATIVE: BEGIN WITH THE END IN MIND

A Personal Representative is the individual who is appointed to carry out all of the duties of collecting a decedent's assets, paying the decedent's outstanding obligations, and distributing the remaining property to the decedent's legatees or heirs.

When you become a Personal Representative, it's important to begin with an understanding of what will be required during the course of the administration. Within nine months of appointment, and at least every six months thereafter until the administration is completed, the Personal Representative must submit for review and approval by the supervising county Orphans' Court an accounting describing all receipts of the Estate and any purchase, sale, transfer, compromise, disbursement, or distribution of the Estate's assets. Any of these transactions are subject to examination by the Court's staff. With this in mind, a Personal Representative will want to follow appropriate procedures to keep track of this information while setting up and managing the Estate.

LETTERS OF ADMINISTRATION CERTIFICATE

When new Personal Representative is appointed, he or she is given multiple copies of a certificate known as "Letters of Administration" that proves his or her appointment. Financial institutions are very careful when dealing with surrogates for their depositors, so a Personal Representative will need to prove that he or she is entitled to deal with the decedent's assets. The Personal Representative therefore needs to always be prepared to supply a Letter of Administration certificate when collecting the decedent's financial assets or when opening a new account.

THE ESTATE'S TAXPAYER IDENTIFICATION NUMBER

One of the first steps in our process for a new Personal Representative is to obtain a new taxpayer identification number (or "TIN") for the Estate. When a decedent dies, his Estate becomes a new taxpayer for federal and state income tax purposes. The federal income tax rates applicable to estates and trusts differ markedly from those applicable to living individuals. The decedent's Social Security Number is therefore no longer available as an identifier for the income earned on the property belonging to the decedent before death since that income will no longer be taxed to the decedent as an individual. Because financial institutions are required to report this income to the IRS and applicable state tax authorities, they will not change the ownership of the decedent's funds or open any new account for the Personal Representative without first receiving and verifying the Estate's new TIN. Consequently this TIN and the Letters of Administration will both be required for the Personal Representative to begin his or her financial duties.

DEPOSITS INTO THE ESTATE BANK ACCOUNT

If you are a new Personal Representative, you will want to begin by gaining access and closing out any individual accounts held by the decedent. Once closed, deposit the funds along with any cash and checks belonging to the decedent into a separate Estate account (usually a checking account) in your name as Personal Representative with all income on the account being taxed to the Estate's new TIN. Keeping an Estate account separate from your personal account is both a fundamental Personal Representative duty and a primary means of obtaining and keeping information needed for the Estate account.

Knowing that you will be required to account for all Estate financial transactions, be sure to keep written records of all checks received and deposited by making photocopies or scanning and storing images of the checks as digital files. Because bank statements only list the total amount of a deposit (and not the separate deposited items), one very good idea is to list on each deposit slip exactly what checks were included in that deposit or to staple the deposit slip to copies of those checks. Keep this backup information and a list of all checks and cash received with the amount, the payer, and the reason for the payment of the funds in question. That way, this information will be readily accessible when it comes time to prepare the required Estate account. Not having such information will lead to needless expense down the road if it needs to be reconstructed.

PAYING ESTATE EXPENSES

Make sure also that you have copies of all checks written or a complete check register for all Estate expenditures. If your bank will supply copies of checks written, make sure you sign up for this service for the Estate checking account. Accounts dedicated to an Estate cannot be used for your personal expenses or for Personal Representative compensation or attorney's fees without a court order. Also, while telephone and cable TV and internet bills initially received by the Estate can be deducted as Estate accrued liabilities, they will generally not be allowed afterwards at accounting time, so be sure to cancel the services as soon as they are no longer necessary for the administration of the Estate.

MAKE THE ESTATE ACCOUNT AN ONGOING EXERCISE

Make sure that you supply copies of your records to your attorney no less than every two months. At The Wright Firm, we ask our clients monthly to deliver or mail us their bank statements with copies of their canceled checks written to date. As soon as we know what comprises the Estate assets, we start and maintain the accounting of the activities they perform as Personal Representative throughout the administration process to ensure that we get all the details we will need and that all expected rules and procedures are accurately followed. It's much easier to keep the account contemporaneously than to have to reconstruct activities after their details are forgotten. If we start early with a good understanding of the financial transactions involved and with assembling the proof of those transactions that we may need at the end of the process, preparation of the final required accounting at the process' end is much easier and less expensive.