

WHEN YOU LEARN OF A DEATH

Because of your close relationships with clients, you may learn of a death very soon after it has occurred. Your clients will likely turn to you for comfort and reassurance during this difficult time. The following are a few considerations for you to keep in mind.

Review the Estate Plan.

Before any assets are moved, claimed, transferred or closed, you will want to remind your clients to review the full estate plan with either the attorney who prepared the plan, or another planning professional, to make sure all of its intended goals are understood. For example, there may be important tax reasons why contingent beneficiaries were put in place on certain accounts, life insurance policies or annuities. (Contingent beneficiaries are not necessarily second choice, they are *alternative choices* that may lead to different tax treatment.) This process is sometimes referred to as “post mortem tax planning” and generally refers to comparing the estate tax versus the future income tax ramifications of each path. But the possibility of choice is foreclosed if the asset has been touched or directed.

Preserve Account Information.

The process of transitioning a Decedent’s accounts to its new owner(s) frequently involves changing account numbers and tax identification numbers. A by-product of this transition is typically that neither the client nor the advisor associated with the account will be able to access the old account information once it has been closed. But some of this information may still be needed. For example, preserving the statement that identifies the specific date of death holdings in an account will be important for tax purposes. If there are any transactions (purchases, sales, income and the like) it is valuable to preserve the transaction information appearing on the statement. Likewise, at income tax time (which often does not occur for many months) it may be important to resurrect deposits and withdrawals from an account for the current calendar year. If the statements are no longer accessible, this information may be inaccessible as well.

Calculate and Distribute RMD for the Decedent.

If the Decedent was required to take a required minimum distribution (“RMD”) from one or more retirement accounts, the family may not know whether or not the current year’s RMD was taken. To the extent that you can ascertain this information, this may be incredibly helpful. While no decision needs to be made regarding the new owner of the account until the year *after* the Decedent’s death; the RMD for the Decedent for the current year still should be processed. (If the Decedent has died in the months of November or December and you believe that no RMD has yet been taken for the current calendar year, this is something to highlight with the client and their legal advisor early.)

The Estate Administration team at the Law Offices of Paul K. Sullivan, Jr., LLC enjoys partnering with financial advisors so that clients feel comfortable that all of their advisors are working together. If you have any specific questions related to our process, or the rules for administering estates here in Connecticut, please feel free to reach out to us.