

Small Business Owners – Death in Family

By Lance Winslow - 2001

As a small business owner we have to deal with tax law changes, local ordinances, environmental laws, Worker's Compensation, etc. Just when we thought we had everything under control, something terrible happens - a death in the family. "Oh my God" you say? What do I do now? Well since I have been there, let me tell you what you need to know.

When someone close died in my life, I plunged immediately into an unfamiliar state of emotion, frustration, anxiety and grief. Needless to say, I wasn't any good to my business. I couldn't make decisions and felt rather helpless not knowing what to do. After talking to financial advisors, attorneys and accountants, all of which was very time consuming and extremely costly, I learned that I had a lot more to learn.



If you have a death in the family and all of a sudden you realize you are in charge, gather the following information before consulting the professionals. It will save you time away from your business and relieve some of the stress. Not to mention make it easier for your consultants and saving you money. Here is a list of the things you may need to do to settle the estate and who can help you with answers:

GENERAL PROCESS FOR ESTATE SETTLEMENT

- Send for Copies of Death Certificate
- Gather Information on Estate Assets: Executor, Trustee, Family Members, Financial Advisors
- Meetings With Estate Planning Attorney, Accountant, Financial Advisors
- Valuation of Assets - Date of Death or Alternate Date Six Months Later: Executor, Trustee, Family Members, Financial Advisors
- Get Appraisals for Real Property and Business Interests: Executor, Trustee, Family Members
- Preparation and Filing of United States Estate Tax Return Form 706: Attorney
- Preparation of Estate Settlement Allocation Schedule: Attorney
- Preparation and Filing of Estate Income Tax Return: Attorney and Accountant
- Meetings With Family To Determine Appropriate Reallocation of Estate Assets

Consider - Assets and Amounts to be Placed Into A/B, A/B/C or Other Trusts, Needs And Abilities Of Surviving Spouse, Family Gifting Programs: Executor, Trustee, Family Members, Financial Advisors

Set Up Listing of Buys/Sells for Schedule D of the Applicable Income Tax Returns: Executor, Trustee, Family Members, Financial Advisors

Transfer and Change of Title/Ownership Registration of Estate Assets into Newly Created Trusts, Existing Trusts, Business, Joint or Personal Accounts: Executor, Trustee, Family Members, Financial Advisors

Preparation and Filing of Applicable Joint and/or Individual Income Tax Returns: Accountant

One of the hardest parts of estate settling I found was the filing of the Estate Tax Return. The following is much of the information you will need. Your accountant and attorney will ask for it so you may as well have it ready.



INFORMATION NEEDED FOR UNITED STATES ESTATE TAX RETURN

FOR EACH ASSET IN THE ESTATE YOU WILL NEED TO INDICATE THE OWNERSHIP. FOR EXAMPLE: DECEDENT, SPOUSE, JOINT WITH SPOUSE, JOINT WITH OTHER JOINT TENANTS, TENANTS IN COMMON, LIMITED PARTNERSHIP, GENERAL PARTNERSHIP, PART OF BUSINESS INTEREST

Real Estate:

Description, Property Appraisal, Valuation Include Personal Residence Here If Applicable

Stocks and Bonds:

Description, CUSIP Number, Number of Shares, Price Per Share, Bond Par Value, Number of Bonds, Price Per Bond, Total Value

Mortgages and Notes:

Face Value and Unpaid Balance, Date of Mortgage or Note, Date of Maturity, Name of Maker, Property Mortgaged, Interest Dates and Rate of Interest

Cash:

Name and Address of Financial Institution, Account Balance, Account Number, Nature of Account - Checking, Savings, C.D.'s

Insurance on Life: Name of Insurance Company, Policy Number, Number of Decedents: Form 712 Life Insurance Statement from Company, Include - Insurance on Decedent's life receivable by or for benefit of estate and receivable by beneficiaries other than the estate

Jointly Owned Property:

Information as indicated above - Interests Held By Decedent and Spouse as the Only Joint Tenant, All Other Joint Tenants

Other Misc. Property:

In this section list items not included in any other section above such as -

- Debts Due the Decedent
- Interests in Business
- Interests in Partnership or Unincorporated Business
- Insurance on Life of Another
- Section 2044 (QTIP from Prior Transfer) Property
- Claims, Judgements
- Rights, Royalties, Leaseholds
- Reversionary or Remainder Interests
- Shares in Trust Funds
- Household Goods and Personal Effects
- Automobiles, Boats, R.V.'s
- Annuities, IRA's
- Name of Financial Institution,
- Trustee or Custodian

Pensions:

Description Account Number,

Account Value,

Beneficiary Information; Transfers During,

If Applicable, All Necessary Information Decedents Life:

Powers of Appointment:

If Applicable, All Necessary Information

In addition to all of the above information for the federal estate tax return, you will need information including descriptions, asset values and expense amounts for the following allowable estate deductions:

- 1.) Funeral Expenses
- 2.) Expenses Incurred in Administering Property Subject to Claims
- 3.) Debts of the Decedent
- 4.) Mortgages and Liens
- 5.) Net Losses During the Administration
- 6.) Expenses Incurred in Administering Property Not Subject To Claims
- 7.) Bequests to Surviving Spouse
- 8.) Charitable, Public and Similar Gifts and Bequests

I hope you never have to use this information. But if you do, this will save you thousands of dollars in consulting fees, weeks of lost revenues from your business and a lot the stress, hardship and anxiety I went through.