

Some things to remember when there's a death in the family

Coping with the death of a loved one is never easy. Here is some information to help you manage your immediate needs, as well as some often overlooked, but very important issues.

The first steps:

1. Call the funeral home

When making arrangements with the funeral home, bring along (if applicable) the deed to the grave plot, prepaid cremation documents, military discharge papers (this provides a small stipend for burial and an American flag), and any written instructions on the deceased's viewing and burial preferences. Typically, family and friends call the funeral home to learn about the arrangements, including treatment of flowers and preferences regarding charitable donations (i.e., American Heart Association, American Cancer Society, plant a tree, etc.).

2. Write the obituary

Jot down pertinent information about the person's life, education, career, military service, notable achievements, etc. to assist the funeral director in compiling information for the obituaries in local newspapers. Résumés can be helpful in this process.

3. Obtain death certificates

You can secure death certificates from the funeral director or from your state's office of vital records. The cost of certificates varies widely, but they are commonly between \$20 and \$30 each. Ask for at least 10 copies of the death certificate, because the deceased may have numerous assets or multiple accounts that will require proof of death.

4. Review last will and testament

Original copies of wills should be kept in an attorney's will safe or in a fire-proof safe at home. It's never wise to leave wills in a safe-deposit box, as the box may be "frozen" at death. Since the will often tells the court who has access to the safe-deposit box, this can be quite a dilemma for the heirs and the estate representative.

The first steps

5. Obtain probate/surrogate's court certificates

If the estate is relatively simple and there is a will, the estate representative named in the will should go to the county probate court. (This court is known by other names, such as surrogate's court, and is in the clerk's office in the county that handles the probating of wills.) Bring copies of the will and the death certificate. The clerk will provide as many copies (for a fee) of the surrogate's certificate as are needed to transfer ownership of anything from the deceased to his or her heirs. A will can be probated with or without an attorney. Without a will, things can get very complicated, because the judge will determine the disposition of the deceased's assets, regardless of what the deceased would have wanted.

6. Contact current and former employers

Ask the human resources department to mail a benefit summary and distribution information on any or all of the following: life insurance, accident insurance, profit sharing plan, retirement plan, flexible spending plan, etc. Go back to every employer of the deceased, and you may discover a pension or annuity benefit that the deceased forgot to document.

7. Contact Social Security

Contact the local Social Security office, and notify it of the death.

8. Contact life insurance and annuity providers

Obtain any policies, and process death benefits.

9. Access safe-deposit box

The estate representative may want to access the safe-deposit box to retrieve any instructions, policies, valuables, etc. Naturally, this presumes that the deceased thought ahead and let the estate representative know where to find the key. In order to access a safe-deposit box, you will need either a power of attorney or a copy of the will and the surrogate's certificate, which will tell the bank that you have legal access.

10. Call an attorney, if necessary

Simple estates may not require an attorney. These are typically ones in which a spouse dies leaving everything via a will to the living spouse. However, if an estate reaches a certain asset size and/or there are trusts or other complex arrangements in place, it may be advisable to have an attorney handle the affairs of the estate, including probating the will. Having all the pertinent documents at the ready will make working with the attorney much easier.

The estate representative should bear in mind that statutes exist in many parts of the country that permit the attorney to charge a fee for a percentage of the estate's value.

11. Call an accountant

The estate representative needs to know if the deceased was paying estimated taxes, if payments are currently due, what real estate taxes were being paid, if there is a credit at the IRS, etc. The accountant should be brought into the discussion as quickly as possible, since work must be done to ensure that a federal estate tax payment is made within nine months after death. Also, the estate may need to file final-year federal and state income tax returns.

12. Pay the bills

Utility, credit, mortgage, and other payments should continue in a timely manner after death. The estate representative needs to ensure that these payments are made and that a record of all expenses is kept up to date, as the accountant will need this when filing the returns.

13. Notify the post-office

If you are the estate representative, you will want to forward any future mail to your address. Also, utilities and subscriptions need to be canceled.

14. Change ownership

While you are settling the estate, you will need to have the ownership changed on bank, brokerage, and other accounts. If there is no surviving spouse, it will be placed in the estate name (e.g., "Estate of Mary Jones"). In most cases, if there is a surviving spouse who is the heir, assets will need to be switched from a single or joint name to the name of the surviving spouse. To do this, you will need a copy of the death certificate and surrogate's certificate for each account requiring a change in ownership.

"In some cases, where the value of the estate property has declined since the date of death, the property can be valued at six months after the date of death if that lowers the federal estate tax," according to CNN Money.

Filing for benefits:

Life insurance

To receive the benefits from individually owned life insurance policies, contact the deceased's life insurance agent. The agent will provide the necessary forms to file a claim with the life insurance company. You might also want to check and see if the deceased held any life insurance through credit card or bank offers, and so on. In most cases, life insurance companies require only two forms to establish proof of a claim: a claimant's statement and a death certificate or an attending physician's statement. The beneficiary completes the claimant's statement.

Work-related benefits

Contact the human resources department of the deceased's employer. Since most people are covered by group insurance where they work, inquire about the benefit that may be due and how to file a claim. Also, ask about pension fund benefits, accrued vacation and sick pay, terminal pay allowances, disability income, and credit union balances. Pay special attention to the deceased's hospital, surgical, and disability coverage to see whether the dependents are still eligible for benefits and, if so, for how long. Thanks to the 1985 Consolidated Omnibus Budget Reconciliation Act (COBRA), a surviving spouse can still have coverage under the deceased spouse's health insurance plan if the spouse worked for a company that has a health plan covering 20 or more employees. The plan must continue to offer the surviving spouse and any dependents coverage for at least 18 months. Coverage can be stretched up to three years if there are dependent children. For more information, talk to a human resources representative at the deceased's former employer.

Social Security

Notify the Social Security Administration (www.ssa.gov) of the death. If the deceased was covered under Social Security, spouses may be eligible for a lump-sum death benefit. Spouses must have been married for at least nine months before the spouse's death to be eligible for benefits, unless the spouse's death was the result of an accident or military service. To apply for Social Security benefits, the Social Security number of the beneficiary and the deceased, the death and marriage certificates, if applicable, and the bank account number of the beneficiary are required.

Military service

If the deceased served in the military, contact the Department of Veterans Affairs (www.va.gov). He or she may be eligible for a veteran's burial in a state or national cemetery, funeral cost reimbursements, life insurance proceeds, and even funeral honors. The military funeral honors website is www.militaryfuneralhonors.osd.mil. For more information, contact your local VA office.

Additional benefits

Contact organizations to find out whether the dependents are eligible for any benefits. Some groups, such as unions, service organizations, or professional organizations, offer life insurance policies at group rates.

Paying taxes after a loved one dies

Upon death, the most significant tax is usually the federal estate tax. In 2020, estates valued at \$11.58 million or less will be exempt, and those worth more than \$11.58 million will be taxed at a maximum rate of 40%. You have nine months from the date of death to pay federal estate taxes.

Current tax law allows a surviving spouse—who is a U.S. citizen—to receive an unlimited amount of property from the deceased spouse, free from federal estate taxes. This is called the unlimited marital deduction. However, when the surviving spouse dies, his or her estate will be subject to estate taxes. Special rules allow the surviving spouse to carry over the unused estate tax exemption of the deceased spouse and add it to his or her own, provided specific requirements of "portability" are satisfied.

In addition to the federal estate tax, there may also be state taxes due at death. State taxes can apply even if federal estate taxes do not, and they will vary by state.

There could be other taxes as well, such as taxes levied on property owned in a foreign country or stock owned in a foreign corporation. The estate will also pay income taxes on income earned on estate assets and capital gains on estate assets sold, until the estate is settled.

Income taxes will need to be paid for the last year of the deceased's life by the following April 15. If your spouse is the decedent, you may file a joint return, as long as you do not remarry before the end of the tax year.

Taxes on inherited securities assets

With the current \$11.58 million estate exclusion, most inheritances are tax free; however, once estate assets are distributed, income earned from the inherited property and gains realized on the sale of the property will be taxed to the beneficiaries.

The Tax Cuts and Jobs Act of 2017 (TCJA), signed into law on December 22, 2017, doubled the estate and gift tax exemption amount starting in 2018. Unless there is further legislation, this change will sunset after 2025 and the exemption amount will revert back to the amount in effect prior to the enactment of the TCJA, as adjusted for inflation.

When most property—such as stocks and real estate—is sold, the difference between the purchase price and sales price is taxed as a capital gain. However, an important tax break—called a step-up in basis—applies to property received through inheritance. If the deceased purchased stock 20 years ago at \$40 a share and dies when the fair market value of the stock is \$100, the basis of the inherited stock is “stepped-up” to \$100 a share. This means that when the stock is later sold by the beneficiary the gain would be based on the difference in value between the date of death and the date of sale, which usually reduces the amount of capital gains taxation.

Another significant estate asset—and, often the most valuable—is the deceased’s qualified retirement plan or IRA. The laws and taxation of these plans are complex and complicated. To avoid unwanted—and, unnecessary—tax consequences, rely on the guidance and advice of qualified tax and legal professionals when dealing with these assets.

Create your own legacy

When loved ones depend on you, you may decide the one thing you’d like to do is to provide for their financial protection and security. This is when the importance of life insurance becomes evident. With proper planning, the income tax-free death benefit can avoid probate and estate taxes. Life insurance can provide a lasting legacy and offer immediate financial protection and security for your loved ones at your death.

The probate process

Probate is a court-supervised process for determining the validity of a will, identifying beneficiaries, gathering estate assets, paying creditors and taxes, and distributing assets. Because the process can be costly, can take months if not years to complete, and is a matter of public record, many estate owners are advised to avoid probate. A popular misconception is that a will avoids probate; it does not. Nor does a will exclusively direct the disposition of all of a person’s property.

For example, property can be passed and the cost and delay of probate avoided by transferring assets to a trust created during life, using beneficiary designations on assets such as life insurance policies and retirement plans, applying certain joint-ownership titling, and making lifetime gifts. Even so, a will is an essential element of almost any estate plan.

A will is a written declaration of an individual’s intentions for the disposition of assets at death. If the will is prepared and executed in accordance with legally required formalities, the probate court will typically order that the deceased’s plan be carried out. A plan to transfer assets and avoid probate generally provides peace of mind for the family.

With that said, people do die without wills or planning, which means their property will pass according to the intestate laws of their state of domicile. Simply put, these are laws of general application that are applied without regard to or any consideration for the decedent’s unique personal situation or desires. Such a distribution is unlikely to be in total accord with what he or she would have wished and often increases taxes and probate costs.

Estates, trusts, and probate planning are specialized areas of tax law and require the advice and guidance of a qualified estate-planning attorney.

“Try to avoid irreversible decisions, such as selling your house, quitting your job, or selling off large portions of investments,” advises CNN Money.

Next step: Call your New York Life agent

Depending on your individual situation, your next step may be to do nothing for several months. Prudently avoid drastic, knee-jerk decisions. Maintain your present spending habits and lifestyle, and resist the temptation to increase spending.

When you are ready to assess your financial situation, start to think about your long-term goals and wishes. You may also want to consider your own after-death arrangements. By planning our legacies while we are still young and in good health, we can spare our families unnecessary stress and increase the likelihood they will remain in the lifestyle to which they are accustomed.

Your New York Life agent can help you plan. New York Life agents—who are widely recognized as among the best-trained professionals in the industry—have the ability to listen to and understand your objectives and draw upon New York Life's products to best address them.

For more than 175 years, we have conducted our business around the central values of financial strength, integrity, and humanity—and have remained committed to being a mutual company, owned solely by our policy owners. This means that, regardless of the economy, we have just one objective: meeting the needs of our customers, now and into the future.

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