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# Estate Administration

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# What steps have to be taken?

When somebody dies, the paperwork involved in proving the will and in sorting out the deceased's property can be daunting for the family.

## Deceased Estate Administration / Me Pehea Taku Whakamahi I Tenei

When someone dies the following steps have to be taken:

- If there is a will, the people named in the will as executors and trustees should normally apply to the High Court for a Grant of Probate. If there is no will then someone (usually the next of kin to the deceased) applies to the High Court for a Grant of Letters of Administration giving them authority to deal with the estate assets.
- The title to the family home and any other property held in the sole name of the deceased, including bank accounts and investments, cannot be transferred to the beneficiaries without first obtaining either a Grant of Probate or a Grant of Letters of Administration.
- The application for Probate or Administration is drafted by the lawyer acting for the estate, signed by the named executors or nominated administrators and lodged in the High Court for processing. The Court process takes approximately 6-8 weeks.
- If the estate is small and there is no real estate to deal with, it may be that Probate (or Letters of Administration) is not required. This might apply if the only assets to deal with are bank accounts or KiwiSaver accounts with balances of under \$40,000, or certain shareholdings worth less than \$15,000. Your lawyer will be able to advise you about whether you need to make an application to the High Court.
- Jointly held assets can generally be transferred to a survivor without a Grant of Probate or Letters of Administration as soon as a death certificate is available.
- Service options: ask the lawyer acting for the estate if there are any aspects of the estate administration which can be carried out by the executors and trustees or by the deceased's family to reduce cost.

## What Is The Difference Between Executors And Trustees? / He Aha Te Rereketanga I Waenga I Nga Kaiwhakahaere Me Nga Kaitiaki?

A will usually appoints one or more people as "executors and trustees". This involves the following two responsibilities:

**Executors** – The role of an executor is to locate the will, arrange the funeral, identify and collect in the estate assets, and ensure the instructions in the will for the distribution of the estate are carried out.

**Trustees** – The role of the trustee is to hold the estate assets on trust on behalf of the beneficiaries. In some cases the trustee role can go on for a number of years e.g. when the deceased has left assets to young children and those assets have to be looked after until the children reach the age of 18 years (in some cases longer) or if the deceased has left someone a life interest in an estate asset.

## Trustees' Duties / Kaitiaki Nga Mahi

- A trustee must be familiar with the will (if there is one), the estate's assets, and the estate's business.
- A trustee must comply with the terms of the will and the law.
- A trustee must make sure the estate's assets are held in the name of the trustees.
- Generally, the trustees must provide information about the estate to any beneficiary if asked to do so.
- The trustees must keep accurate records and proper accounts for the estate.
- If there is more than one trustee, their decisions must be unanimous.
- An executor or trustee must make reasonable inquiries to make sure all potential beneficiaries or claimants of an estate are known. Those inquiries may involve making a search of records at Births, Deaths and Marriages to check the deceased's marital status and/or to check for children of the deceased.
- The trustees should make sure the deceased has no outstanding debts before distributing the estate. One way to do this is by advertising for creditors in an appropriate newspaper before the estate is distributed.
- The trustee is obliged to complete any income tax returns for the deceased person up to the date of their death, and they may also be obliged to complete a return for the deceased's estate. If the estate earns income from any source, or if the estate assets include land or real estate, the trustee must obtain a new IRD number for the estate and file the required returns until all the assets have been distributed to the beneficiaries.

**Six-month rule** – Trustees should also be aware that if they allow the estate assets (including personal items and household chattels) to be distributed to the beneficiaries within six months of the date of Probate or Letters of Administration, they can be held personally liable for those assets if a successful claim is made against the estate later. For this reason, we recommend that the trustees wait for the six-month period to pass before any distribution is made. The period of personal liability is longer if Probate or Letters of Administration are not obtained.

Early distributions are possible but normally the Trustees will require an “indemnity” from the beneficiaries. This is to enable the Trustees to require repayment from the beneficiaries if a claim is made or debt discovered. The beneficiaries will need to take their own legal advice before signing the indemnity.

Trustees need to be aware of the “**executor's year**” within which trustees should endeavour to complete administration and distribution to beneficiaries. Beneficiaries may be entitled to interest on their entitlement if administration is not completed within twelve months of the Grant of Probate or Letters of Administration.

## What If A Will Is Challenged Or Is Inappropriate? / Ka Pehea Mena Ka Werohia He Wira Kaore Ranei I Te Tika?

Sometimes a will is challenged. When this happens, the person challenging the will cannot take legal advice from anyone in the firm acting for the trustees. The lawyer acting for the estate continues to act for the executors and trustees who must remain neutral. Where this occurs, the beneficiaries must take their own legal advice independently of the firm acting for the estate.

## What About Mediation? / Me Pehea Te Takawaenga?

If all parties agree, a mediator may be able to act if there is a dispute about a will. Mediation is less expensive and quicker than court action. A successful mediation will result in agreement which is recorded in writing. In some instances, the approval of the court may be required on behalf of beneficiaries who are under 18 years of age.

## Who Is Entitled To Make A Claim Against An Estate? / Ko Wai E Tika Ana Ki Te Tuku Kereme Ki Te Whenua?

The **Family Protection Act 1955** provides that a deceased person's spouse, partner, children, grandchildren and parents are entitled to make a claim if they believe they have not been provided for adequately in the will. Stepchildren being maintained by a deceased person can also bring claims. Court proceedings for additional provision must normally be filed within twelve months from the Grant of Probate in the estate, or 24 months in the case of any minors or infants.

The **Property (Relationships) Act 1976** provides that a deceased person's spouse or partner may choose to elect to make an application under that Act for a division of their relationship property. The law allows for the deceased person's spouse or partner to either take whatever has been provided for them by the will OR take whatever they would be entitled to under relationship property law.

A person who has been promised some provision by the deceased in return for services may claim against the estate under the **Law Reform (Testamentary Promises) Act 1949** if the deceased has failed to fulfil the promise by will.

## Timing Of Distribution / Wā Tohatoha

As long as the estate assets are readily available, most estates can be distributed to the beneficiaries approximately 8-10 months from date of death (or earlier if the indemnities referred to previously are in place).

## Manner Of Distribution And Tax Provision / Tikanga Tohatoha Me Te Tuku Taake

Payment to beneficiaries is usually made directly to their bank accounts electronically. Beneficiaries will sometimes be required to verify their identity to comply with anti-money laundering regulations.

If there is delay with filing a final tax return for the estate an appropriate sum may be held back to cover payment of tax due and any final administration costs.

## Note To The Beneficiaries Of An Estate / Tuhipoka Ki Nga Kaiwhiwhi O Tetahi Whenua

If you are a beneficiary of an estate and are in a relationship with someone, then the Property (Relationships) Act 1976 may apply to you. You may wish to keep the funds or property you are inheriting from the estate **separate** from your relationship property.

Generally, inherited property is not shared on separation – but there are exceptions to this, for example if you put inheritance into your family home or into a joint bank account. If you really wish to be sure your relationship partner has no claim on this property, you need an agreement, or you need to make sure that the property never becomes available for the purposes of the relationship. This is a complex area of the law. If you are inheriting property or looking at becoming the owner of something that is either important or expensive – **see your lawyer first.**

Because of the above your inheritance money should be deposited into an account held in your sole name.

If you decide to deposit funds into a jointly held account, or any other account that is not in your name, the estate's lawyer will require a signed written instruction from you.

Please do not hesitate to contact your Lawlink lawyer if you have any questions.

## Role Of The Lawyer For The Estate And Fees / Te Mahi A Te Roia Mo Nga Whenua Me Nga Utu

The lawyer's role is to act on behalf of the deceased person. The lawyer therefore takes instruction only from the estate executors and trustees. If there is no cash available in the estate, the executors are responsible for payment of the lawyer's fees.

The basis on which the lawyer's fees are charged is set out in the terms of engagement, a copy of which will be given to the executors and trustees before the administration commences.

## Helpful Information For Your Lawyer / Nga Korero A Whina Mo To Roia

It is helpful to give the following information (where applicable) about the deceased person to the estate lawyer to assist with administering the estate:

1. Work and Income New Zealand benefit number or recent correspondence from the department.
2. A copy of the latest rates notices for any estate property.
3. Details of any bank accounts and credit cards held in the **sole name** of the deceased.
4. Insurance policies on the house, contents, and vehicles or the insurance company details.
5. Details of any investment portfolio and/or bond certificates.
6. Original Life Insurance policy document(s).
7. Birth certificate.
8. Marriage or civil union certificate.
9. Death certificate.
10. Funeral account and any other outstanding debts of the deceased.
11. Driver's licence or passport.
12. KiwiSaver account details.
13. Any household accounts to be changed such as power, telephone, SKY TV etc.
14. Any income tax records and IRD number for the deceased.
15. Contact information for the beneficiaries of the estate and birth certificates for any beneficiaries under the age of 18 years.
16. Details of any digital assets owned solely by the deceased e.g. Website/Domain Name/Emails/Social Media/Trade Me accounts etc.

## Client Identification Obligations / Herenga Tau Tuhi Kiritaki

Anti-money laundering and countering financing of terrorism law now requires all lawyers to properly identify their clients before they do work for them. The estate's lawyer is therefore required to obtain certain information from you as executor and trustee, and from the beneficiaries in the estate.

Please talk to the estate's lawyer before your first meeting about what forms of identification they require. Usually that will be a current passport or other current photo ID and a recently dated Council rates notice, utility bill, or bank statement or any letter from a Government department addressed to you at your home address. The estate lawyer will need to see those documents at your appointment, or if you are not meeting the lawyer in person you can arrange for correctly certified copies to be sent to your lawyer before work on the estate can commence. Your lawyer will advise you about the correct way to have a document certified and provide you with a list of people who are authorised to do this for you.

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