

## What is an Executor of a Will?

**An executor is the person appointed by another person (in their will) to administer their estate when they die. An executor's role involves making sure the deceased's debts are paid and their assets and possessions are distributed according to their wishes.**

### **Caution on who you appoint as executor**

Administering an estate is rarely straightforward or easy. There are many tasks to perform, including looking after investments and taxation, as well as finding and proving all potential beneficiaries. It can therefore be a time-consuming exercise. It can also be emotionally draining where there are family disputes, legal claims on the estate or overly-demanding beneficiaries.

Importantly, if you make a mistake in administering the estate, you can be held liable for the financial loss.

So while being appointed as someone's executor can be an honour for that person, it may be they do not have the time, expertise or inclination to perform the duties of an executor.

For this reason, many people appoint a fiduciary company to act as their executor, or they suggest to their executor that they ask a fiduciary company to assist them in their executorial duties.

### **Are executors paid for their time?**

Executors are usually only paid if this is in the will. Executors have the right to apply to the Supreme Court for payment, however, the court generally does not award payment if the executor is also a beneficiary under the will.

## Can you decline your appointment as an executor?

If you do not wish to be an executor, you can renounce your appointment by applying to the Supreme Court. You should do this before you start administering the estate, because your renunciation may not be granted if you've completed even some of the executor's duties.

## What are the executor's first steps?

Typically the executor first needs to locate the will to ensure that any wishes regarding the deceased's funeral are carried out.

The executor may also need to release money from the deceased's bank account to pay for the funeral.

Another important task is to make a inventory of all estate liabilities and assets, and ensure those assets are secure, insured as appropriate, and protected from theft, damage and any form of deterioration.

Where there is potential for family disputes, it may be prudent to change the locks on the family home, and to store valuable items like jewellery in a safety deposit box.

The immediate needs of the beneficiaries must also be assessed to ensure they do not suffer any unnecessary financial hardship.

The executor must also apply to the Supreme Court to be granted authority to administer the estate. This is known as obtaining 'probate of the will'.

## How to minimise your personal liability when acting as an executor

As executor, you could be personally liable if the estate suffers financial loss due to your action (or lack of action). Here are a few tips to help you minimise that from happening:

- Do everything you can to protect the estate assets from damage or theft.
- If the deceased owned a business, you will need to take immediate action to maintain the business activities. You should also ensure that you facilitate the sale or winding up of the business – if that is a requirement in the will – as soon as practicable.
- Ensure all taxes are paid prior to distributing the estate. If you find that taxes are still to be paid after distribution, you have no legal right to ask the beneficiaries to pay them. You will be personally liable.
- In most States, you need to correctly advertise for claims so that potential claimants are given adequate notice. If a genuine claimant comes forward after you have distributed the estate, you could be personally liable for that debt being paid.
- Ensure all tasks are completed in a reasonable time. If they are not, and the estate suffers a financial loss as a result, you could be personally liable.

## What are the other executorial duties?

Some of the other important duties of an executor include:

- **Determine the beneficiaries** – If the will bequeaths assets to nonspecified people, such as ‘my children’, the executor will need to identify all of the people who fit into that category. This may not be as simple as it sounds if there is a blended family, a family rift or family living overseas.
- **Value the estate** - The executor must seek valuations on all estate assets, including obtaining valuations from licenced valuers or estimates from recognised sources where the value of an asset isn't readily available.
- **Advertise for claims** – In most States, the executor has to give notice of death to all potential claimants against the estate, such as creditors and beneficiaries. This requirement can be satisfied by placing advertisements in newspapers and government gazettes. If a claim is received, the executor needs to decide whether or not to pay it.
- **Lodge tax returns** - Before an estate can be distributed, clearance from the Australian Taxation Office must be given. This means the executor has to lodge a tax return for the deceased for the current financial year, and past years if the deceased failed to lodge a return.

The estate itself represents a separate tax paying entity and the executor must apply for its tax file number, and lodge a tax return each year the estate receives income. If you sell estate assets, you will need to include capital gains in those returns.

Importantly, the executor has a number of strategies they can use to minimise capital gains tax, including selling assets over two financial years (rather than one), distributing assets in specie, and maximising valuations at the time of death. These strategies can make a significant difference to the value of the estate that is eventually distributed to the beneficiaries.

- **Distribute the estate** - Once all debts have been paid and specific gifts handed on, the executor may then distribute the remaining assets according to the directions laid out in the will.

---

### \*Disclaimer

Before acting on any information you've may received during a strategic financial consultation, or read about on our websites, email communications, guides including our newsletters, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs.

If any products are discussed, you should obtain a Product Disclosure Statement relating to the products and consider its contents before making any decisions. It is recommended to seek advice from a qualified professional relevant to your particular needs or interests. (For instance, Tax Advice from a Tax Agent, Financial Advice from a Licensed Financial Adviser and so on and so forth).



 **INVESTAX**



## CONTACT US

---

**Investax Pty Ltd**

Suite 102, Level 1, 102/276 Pitt Street, Sydney NSW 2000

**Ph:** 02 8651 8000

**Email:** [info@investax.com.au](mailto:info@investax.com.au)

**Website:** [www.investax.com.au](http://www.investax.com.au)