

Coping With The Financial Practicalities of Bereavement

Introduction

More than half a million Britons die each year. Many of these people will have lived well into old age and may have put in place arrangements for dealing with their funerals and affairs after they have passed on.

Understandably death is a subject that many people do not like to think about, so many people put off writing a Will until it is too late. This can cause problems for family members.

Unexpected deaths also mean that families can have responsibilities



What do you do when someone dies?

The paperwork required depends on the cause of death and where it occurred, whether in Britain or abroad, and whether the individual was in care or not.

A doctor must provide a certificate stating the cause of death and the death must be registered within five days. The local registrar will request information including the birth certificate of the deceased, medical card and National

Insurance details.

The registrar will issue the Death Certificate. This certificate (and it's advisable to get several original copies) may be needed for bank, building society, life assurance and pension claims and in many cases originals will be required.

Funerals



You need to check that the death does not have to be reported to a coroner. Then find out if the will contained any special requests for the funeral. Funeral requests are not binding and it is likely the nearest relative will decide whether the deceased is to be cremated or buried. Wishes may be expressed in the Will.

The legal requirements regarding the disposal of a body in Britain are that the death has been certified and registered, and the body is taken care of by cremation or burying.

Funerals generally cost £1,000 upwards.

If there are problems paying for the funeral, the Social Fund may be able to help. If your husband or wife dies and you are claiming a means tested benefit, such as Minimum Income Guarantee, you may be able to get help with the costs.

Funerals are generally arranged by a funeral director.

The deceased may have made arrangements already with a firm or with an insurance policy to cover the costs.

Wills

Wills are the formal instructions for the distribution of the deceased's estate. It is important that Wills are kept up to date as the individual's circumstances change. Wills can allow provision to be made for non-family members and organisations who perhaps wouldn't otherwise benefit.

The named executors need to seek what is known as Probate from the Inland Revenue. Once this has been granted, the executors can deal with the deceased's estate. Everyone should make a Will and then tell somebody else where it is kept. If you believe that there is a Will but can't locate it, try contacting solicitors or banks the deceased may have used.

If someone dies without a Will, their estate is administered according to the rules of intestacy. This could mean property and cash going to people the deceased had not wanted to benefit. It could also mean people who the deceased wanted to benefit, not inheriting, and can cause problems with inheritance tax.



Executors and Administrators

Executors should be named in the Will. If there is no Will, normally the next of kin is called an administrator or personal representative.

The deceased may have designated a solicitor or other professional as executor of their Will as well as a relative.

Executors have important responsibilities. They will need to produce financial records for the estate and they have a duty to ensure that the estate's assets are paid to the correct beneficiaries. If assets are distributed without debts having been settled, they may be held personally responsible.

Therefore, they may need to advertise the death in a newspaper with formal notices with a request that creditors submit their claims by a date at least two months after the notice appears.

It is important the personal representative ensures any

property or assets of the deceased are safe.

Personal representatives should cancel credit and debit cards, cancel direct debits and standing orders and transfer joint bank accounts into sole accounts.

If the deceased was living in a nursing home, but died in hospital, give notice to the home.

It is also important to contact the Department of Work and Pensions if the deceased was receiving a state pension or other benefits. They will also provide details of benefits available to any surviving partner or dependent.

Contact the Inland Revenue regarding tax issues. A refund may be due, but tax may also be due in the future.

How do you calculate the value of the estate?

The main responsibility of the executor or administrator is to calculate the value of the estate. You will need to get valuations at the time of death for each part of the estate.

Assets are:

- all property
- all house contents and possessions
- bank, building society and national savings accounts
- shares and other investments including PEPs & ISAs
- life assurance policies (except for those written in trust)
- pensions (which may not fall into the estate if a nomination is in place).
- money owed
- the deceased's share of jointly owned assets.

Liabilities:

- unpaid bills
- credit card debts
- mortgages and other loans
- funeral and cremation expenses
- legal costs



Inheritance Tax

Executors are responsible for reporting the value of the estate to the Inland Revenue, if they think inheritance tax is due. They are also required to report any gifts made by the deceased of more than £3,000 in the seven years prior to the date of death.

Currently, the first £325,000 of an estate (often called the nil rate band) is free of inheritance tax and the rest is taxed at 40%.

Inheritance tax has been labelled the 'avoidable tax' – even after a death beneficiaries can rewrite a Will to reduce the inheritance tax liability.

Wills can be 'varied' up to two years after a death. Typically assets are reallocated from a spouse to children to make use of the £325,000 inheritance tax exemption, as transfers between husband and wife are exempt. This may still be viewed as desirable for family reasons or to protect assets from being sold to pay nursing home fees.

Any unused "nil rate band" may be transferred between spouses or civil partners on death on the first spouse/partner, effectively doubling the nil rate band for the surviving spouse/partner to £650,000.

Inheritance tax is due within six months of the person's death, otherwise interest will be added. In the majority of cases inheritance tax must be paid before probate is granted.



What to do.....



We can help guide you through the whole process. For instance we would advise executors or relatives do not immediately inform the deceased's bank of the death, as this immediately freezes the account and this will block debits and credits going through.

The bank will need to be informed but this is often best done in the weeks following the death once financial and legal matters are underway and a controlled course of actions can then be taken.

Please consult us early so that we can guide you through this difficult time.



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Further advice and assistance

Contact either of Monahans Financial Services Limited offices at Trowbridge (01225 785570) and Swindon (01793 818370) or e-mail us at invest@monahans-fsl.co.uk

Alternatively contact Monahans Accountants at any of our offices or email marketing@monahans.co.uk