

CHOOSING AN EXECUTOR FOR YOUR ESTATE

Here's an uncomfortable truth you need to accept: Someday—hopefully in the very distant future—you will die. The good news is you can make that moment easier on your heirs by taking a few simple steps. One of the best ways, to financially prepare for that time is to choose a person to be the executor of your estate. This can be one of the more overlooked aspects of estate planning—which can spell trouble for your family and wealth.

THE CEO OF YOUR ESTATE

Your executor is essentially the CEO of your estate—the person responsible for ensuring your will is executed correctly. This role can mean handling everything from distributing assets to heirs to ensuring any taxes due are paid. Your executor is a crucial player on your estate planning team.

Unsurprisingly, people often find it difficult to choose their executor. Luckily, you can choose from virtually anyone. In our experience, a family member is the most common option, professionals—lawyers, bankers, and others—are also commonly selected. Family member executors may engage a professional for help doing the job—a move that can help avoid family conflicts over assets.

EXECUTOR MISCONDUCT

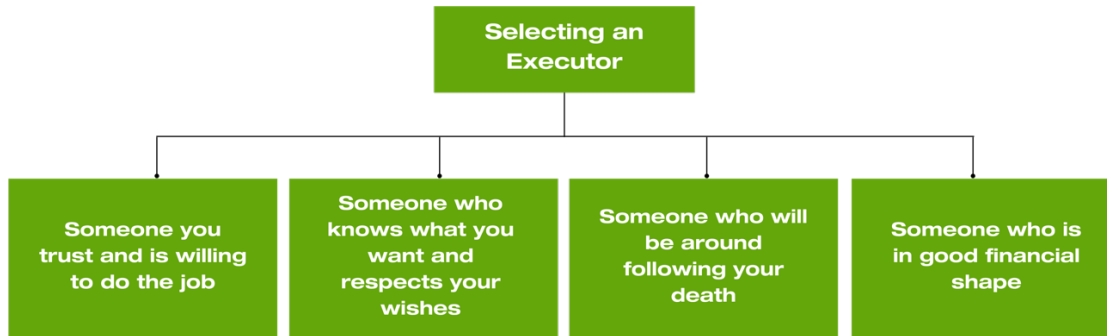
There are precise circumstances where executors do not fulfill their obligations. Some of the more egregious issues we have seen include:

- **Withholding inheritance.** There are times when an executor is not required to disburse assets, such as when debts must be paid off first. However, when the executor is not disbursing assets promptly, it can be a red flag that should be considered.
- **Breach of fiduciary obligations.** All executors have a fiduciary duty to act in the best interests of the deceased and the beneficiaries. For example, executors must keep records of all financial transactions and be able to show those records to the heirs. Sometimes, executors fail to fulfill their fiduciary duty. Even if that failure is not ill-intended, ignorance is not a valid excuse.
- **Stealing from the estate.** There are examples of executors who have stolen funds from the estate. Access and limited oversight can easily result in greedy people abusing their position as executor.

FOUR CONSIDERATIONS WHEN CHOOSING AN EXECUTOR

Based on this information, we think it makes good sense to select your executor carefully so that your wishes as laid out in your will are honored and followed. A few actions can help ensure your executor does a good job (see Exhibit 1).

Getting What You Want



- 1. Pick someone you trust who is willing to do the job.** You need to select someone you have great faith in. This won't guarantee things will turn out as you want them to, but it can reduce the risk of adverse outcomes. Your executor must also have the time required to do a good job and be inclined to take on the role and all it involves. This is true even if they plan to engage a professional for help.

If choosing a family member or trusted friend isn't an option, consider going with a corporate executor who is part of a financial services company. Professionals with experience with wills and estates can potentially do the job of executor better than an amateur—especially when complex assets and estates are involved.

- 2. Make sure the executor knows what you want to happen and respects your wishes.** The idea here is to eliminate any vagueness in the will. Communicate clearly what you want to happen. The executor must respect your wishes even if they disagree. For example, even if you leave money to a particular cousin whom the executor despises, they must still disburse the funds.

While it is possible to replace an executor, it is often costly and problematic. The best approach is to specify your wishes and choose an executor who will do an excellent job in the role by carefully and explicitly honoring your wishes and preferences.

- 3. Select someone likely to be around to do the job.** When choosing, consider a candidate's age and health status. After all, an executor who isn't alive or healthy enough to execute your estate won't do you any good. Have a relatively young and healthy executor as your first choice or as a backup.
- 4. Consider the person's financial health.** Candidates who have financial challenges, excessive debt, or liens against them may not be the best options.

CONCLUSION

If you haven't chosen an executor, now is the time to take this crucial step. If you already have one but haven't revisited the issue in years, consider making sure your choice is still the best for you, given your situation and goals.