



## Wealth Planning Report

# Choosing the Best Executor for Your Estate

Here's an uncomfortable reality you must come to accept: Someday—hopefully in the distant future—you are going to die.

The good news: You can make that event easier on your family and heirs by taking a few simple steps.

One of the best ways, financially, to prepare today for that day is to choose who will be the executor of your estate for yourself. Unfortunately, that is a frequently overlooked or under appreciated aspect of estate planning—which can spell trouble for your family and your wealth if not done or if not done thoughtfully.

### The CEO of your estate

Your executor is essentially a CEO of your estate—the person responsible for making sure your will is executed in the way you intended. This role can mean handling everything from collecting and paying your debts to distributing assets correctly to heirs to ensuring taxes due are timely paid.

In other words, your executor is a key player on your estate planning team, and should not be an afterthought.

Not surprisingly, then, people often find it difficult to choose who should be their executor. The good news: You can choose almost anyone of legal age. Although in our experience, while a family member is most commonly chosen, trustworthy professionals—lawyers, bankers and others—frequently are selected where family members are lacking in skills or temperament. Still, family member executors can always engage a professional for help doing the job—a move that can potentially reduce family conflicts.

### Executor misconduct

There are many circumstances where executors clearly do not fulfill their obligations or do them well. Some of the more egregious issues we have seen include:

- **Withholding inheritance.** An executor is not required to disburse assets for a period of time, such as when debts first must be paid off. However, when the executor is not disbursing assets after an extended time or has too many excuses, it can be a red flag that should be investigated.

- **Breach of fiduciary obligations.** Executors have a fiduciary duty of loyalty and care to act in the best interests of the deceased and beneficiaries. For example, executors must keep detailed records of all financial transactions and be able to show those records to heirs. Sometimes, however, executors fail to fulfill their fiduciary duty. Even if failure is not ill-intended, ignorance is no excuse.
- **Stealing from the estate.** We have examples of executors who have outright stolen funds from the estate. Access and limited oversight (or no oversight at all) can easily result in people abusing their position as executor either due to greed or need, especially if the executor is also an attorney.

### FOUR CONSIDERATIONS WHEN CHOOSING AN EXECUTOR

Based on an increased awareness, we think a thoughtful approach to selecting the best executor for you is essential so that your ultimate intentions as detailed in your will are faithfully honored and unnecessary family pain avoided.

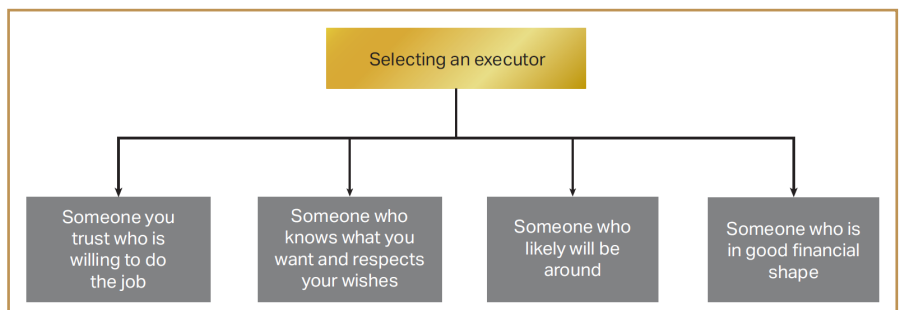
There are a few actions that can potentially help make sure your executor does a good job (*see exhibit below*).

### Getting What You Want

1. Choose someone you trust who you know is willing to do the job. You need to select someone—such as a family member—in whom you have a great deal of trust. That will not guarantee things will turn out as you intended, but the risk of unwanted negative outcomes can be reduced.

The executor you select must have the time necessary to do their job as well as inclined to take on a serious role and its responsibilities. This is true even if he or she engages professionals for their help.

*Important:* If choosing a trusted family member or friend isn't an



- option for you, consider a corporate executor with a bank or trust company. Experienced professionals in matters relating to wills and estates can potentially do a much better job than an amateur—especially when complex assets and significant taxes are involved. Note that while higher expenses are usually associated with a corporate trustee there are likely to be fewer mistakes or delays.
2. Make sure your executor understands your goals and respects your wishes. The idea here is to eliminate any vagueness in what the will says. Communicate clearly to the potential executor—preferably in writing—what you want to be done. (Consider copying your attorney.) The executor must respect your wishes even if he or she disagrees with them. For example, even if you leave money to a particular cousin whom the executor despises, the executor must still disburse those funds and do so timely.

While it is possible to replace an executor, the legal process is costly and results problematic. The better approach is to specify your wishes clearly in your will and reason in associated papers and choose as executor who has the integrity to faithfully fulfill their role based on your instructions and preferences, not theirs.

3. Select someone who is likely to be around much longer than you. When choosing, consider a candidate's age and health status. After all, an executor who isn't alive or healthy enough to administer your estate probably isn't a good choice. Select a relatively young and healthy executor at least as a backup, if they are not your first choice.
4. Consider the person's financial as well as their physical health. Candidates who have financial challenges, such as excessive debt or risky business ventures should not be entrusted with administering large sums of money. They could easily act in a self-dealing or manipulative manner that bleeds the estate.

## Conclusion

If you have not chosen an executor or even yet executed a will, now may be a good time to get in contact with a knowledgeable professional. If you have already named an executor in a will, but haven't revisited your will in years, you might consider making sure your choice is still the best for you, as well as for them.

It may also be a smart idea to meet with a wealth planning professional to review not only your executor, but your powers of attorney (limited or full), living wills or health care proxies, and trusted contact persons for your investment and bank accounts, as well as the beneficiary arrangements of insurance and IRA accounts.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please contact us.



**P**aul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is a nationally recognized Wealth Management Certified Professional™ and Certified Financial Planner™ Professional, written about in *Fortune*, *Forbes*, *Bloomberg Businessweek*, and *Money*. As co-author of *Retire Abundantly*, Paul was interviewed by James Malinchak, of ABC-TV's hit series, *Secret Millionaire*, and by Dimensional Fund Advisors for their "Value of an Advisor" series. Reuters AdvisePoint has recognized Mr. Hill as one of 500 "Top Advisers" and prominently featured him on their website.

Paul founded Professional Financial Strategies, Inc. as one of the first fiduciary advisory firms in 1993 that now specializes in retirement and wealth planning for affluent and aspiring families. Paul is a personal chief financial officer who acts in the best interest of clients. He brings together a distinctive management process and a network of specialists for making informed decisions for scientifically-structured investing, secure income, mitigating taxes, protecting assets, and preserving wealth for family and causes that make an enduring impact.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award in 2018 and featured him with other recipients in *The Wall Street Journal*.

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