

Trusts & Estates

The newsletter of the Illinois State Bar Association's Section on Trusts & Estates

Trust Administration Checklist

BY REBECCA E.P. WADE

1. **Trust Attorney.** Contact an estate and trust attorney to guide you through the trust administration process.
2. **Estate Planning Documents.** Locate any Will, Codicils, and Trust documents; if a known testamentary trust cannot be located, search the State of Illinois Will depository database.
3. **Legal Documents.** Locate important legal documents (divorce property settlements, premarital agreements, child support orders, contracts, leases, and business and partnership agreements).
4. **Ownership Documentation.** Locate deeds, titles, account statements, and ownership documentation for all trust assets.
5. **Summary of Assets.** Prepare a detailed summary of trust assets for your attorney, noting approximate asset values.
6. **Summary of Debts and Expenses.** Prepare a detailed summary of trust liabilities (debts, expenses, and other financial obligations) for your attorney, noting names of all known creditors and the approximate amount of the liability; do not pay trust debts or expenses without consulting your attorney.
7. **Trust Certificate.** Obtain a trust certificate from your attorney to establish your authority as trustee.
8. **IRS Filings.** File necessary forms to (1) obtain a tax identification number for the trust, (2) notify the IRS of your appointment as trustee, and (3) advise the IRS of the identity of your attorney.
9. **Notify Beneficiaries.** Provide each beneficiary with a copy of the trust document or relevant trust trust excerpts, as necessary.
10. **Ascertain Creditors.** Research and identify trust creditors and debts.
11. **Trust Account.** Open a trust checking account to be used for holding the trust's cash assets and paying trust expenses.
12. **Record Keeping.** Balance the trust checking account regularly; keep detailed records of all deposits and withdrawals from the trust account; retain copies of bills and all account statements showing liquidation or transfer of assets into the trust account.
13. **Mail.** Forward mail related to trust assets, debts, and expenses to the trustee.
14. **Keys.** Locate keys for trust-owned real estate, automobiles, safe deposit boxes, and post office boxes.
15. **Safe Deposit Boxes.** Access trust-owned safe deposit boxes; inventory and take possession of contents.
16. **Custody of Valuables.** Inventory and take custody of valuable trust-owned personal property for safekeeping.
17. **Insurance Coverage.** Contact insurance carriers to secure comprehensive insurance coverage for all trust assets (real estate, automobiles, etc.) for the duration of the trust administration process.
18. **Insurance Benefits.** Investigate insurance benefits payable to the trust including life insurance, accidental death, and credit life policies for mortgages, credit cards, and automobile loans.
19. **Unclaimed Property.** Search the State of Illinois unclaimed property database for trust-owned assets or assets otherwise payable to the trust.
20. **Employment Benefits.** Contact the decedent's current and former employers and investigate the existence of any employer-sponsored benefits payable to the trust.
21. **Pay On Death Assets.** Claim any assets payable to the trust as a designated beneficiary, such as life insurance policies, retirement accounts, annuities, or other "pay on death" or "transfer on death" assets.
22. **Credit Cards.** Notify credit reporting agencies of the grantor's death; do not pay credit card bills without consulting your attorney.
23. **Cancellations.** Cancel subscriptions in the name of the trust (newspapers, magazines), non-essential utility services for trust-owned real estate (cable television, telephone), and personal service contracts for trust-

- owned properties (landscaping, house cleaning); investigate and request appropriate refunds.
24. **Investment Advice.** Obtain professional investment advice to ensure trust investments are prudently managed.
 25. **Asset Valuations.** Obtain valuations for all trust assets for income and estate tax purposes.
 26. **Preliminary Inventory.** Prepare a preliminary inventory of trust assets.
 27. **Income Tax Advice.** Retain a qualified accountant to determine if the trust has an obligation to file any trust income tax returns.
 28. **Cash Accounts.** Close trust-owned cash accounts and consolidate the proceeds into the trust checking account.
 29. **Asset Management Plan.** Create a plan, in collaboration with your accountant and attorney, to liquidate, retain, claim, or transfer trust assets in the most tax effective manner.
 30. **Asset Retention or Liquidation.** Determine whether trust-owned non-cash assets (such as stocks, real estate, investment accounts, and other property) should be liquidated to cash, retained "as is" to be transferred in-kind to beneficiaries, or rolled over tax free to certain beneficiaries; place the proceeds of any liquidated assets in the trust checking account.
 31. **Payment of Estate Tax.** Devise a liquidity plan for payment of estate tax on trust-owned property.
 32. **Estate Tax Returns.** Consult your attorney to determine if you have an obligation as trustee to file any state or federal estate tax returns; pay estate tax within 9 months of death.
 33. **Tax Clearance Letters.** Request tax clearance letters for state and federal estate tax, if necessary; retain the clearance letters in the trust records.
 34. **Trustee's Fee.** Decide if you will compensate yourself for acting as trustee and obtain advice from your attorney regarding an appropriate compensation amount.
 35. **Debts and Expenses.** Pay all appropriate trust debts, expenses, and claims after receiving direction from your attorney regarding the legal priority of payment.
 36. **Insufficient Assets.** Seek court approval before paying any trust debts, expenses, or claims, if trust assets are insufficient to make payment in full of all valid debts, expenses, and claims.
 37. **Estate Administration Records.** Provide copies of all trust administration records to your attorney including (1) checkbook register and all bank statements for the trust checking account, (2) copies of all trust bills and invoices, and (3) copies of all trust records showing liquidation, retention, or transfer of assets into trust account.
 38. **Annual Accounting.** Prepare an annual accounting of all trust receipts and disbursements to provide to current beneficiaries; obtain written approval of the accounting from the trust beneficiaries, if necessary.
 39. **Escrow Funds.** Determine an appropriate amount of money to hold in escrow for payment of estimated final legal fees and trust expenses.
 40. **Proposal for Distribution.** Prepare a proposal for distribution of remaining trust assets; obtain written approval of the proposal from all necessary trust parties or request court approval of the proposal.
 41. **Escrow Fund Deposit.** Deposit escrow funds into your attorney's trust account.
 42. **Asset Distribution.** Transfer remaining trust assets to beneficiaries; write checks for cash distributions; transfer assets in-kind by re-registering ownership or arranging for rollovers; convey real estate by deed; obtain written receipts from all beneficiaries.
 43. **Trust Account Closure.** Close trust checking account after all outstanding checks clear.
 44. **Insurance Cancellation.** Cancel any remaining insurance coverage for trust-owned property and request appropriate refunds; deposit refunds in your attorney's trust account.
 45. **Trust Income Tax Returns.** File any required final state and federal trust income tax returns (Form 1041) and pay any required trust income taxes. Provide Schedule K-1 forms to beneficiaries, as necessary.
 46. **Personal Income Tax Returns.** Consult your attorney to determine if you have an obligation as trustee to file the decedent's final state or federal personal income tax returns (Form 1040).
 47. **Escrow Fund Release.** Pay final legal fees and trust expenses; distribute the remaining escrow funds to beneficiaries.
 48. **Your Estate Planning.** Have your attorney evaluate your needs and update your personal estate plan if you inherited assets from the trust. ■