

# **THE FINANCIAL IMPLICATIONS OF BEREAVEMENT**

## **Introduction**

More than half a million Britons die each year – around one per cent of the population.

Many of these people will have lived to a grand old age and may have put in place arrangements – sometimes meticulous – for dealing with their funerals, belongings and assets after they have gone.

But death is also a subject that most people do not like to think about, so there are also plenty of people who put off writing a will until it is too late. This can be problematic as well as causing hardship and deep upset to those left behind.

Unexpected deaths – accidents or the tragic deaths of younger people – also mean that families and friends can have responsibilities thrust upon them at a time of acute personal distress.

The decisions and arrangements bereaved people have to make can be complicated and technical. This guide aims to offer practical help and advice to those suffering bereavement.

While there is much that bereaved individuals can organise for themselves – indeed some people find being busy with the practicalities of a death a helpful and necessary part of the grieving process – the guide also explains where to go for expert technical help.

## **First steps when someone dies**

Most people die in hospital. The required paperwork and official involvement depends on the cause of death and where it occurs, whether in Britain or abroad, and whether the individual was in care or not.

The standard formalities are that a doctor must provide relatives with a certificate giving the cause of the death, and the death must then be registered within five days at the Registry of Births, Deaths and Marriages in the locality where the death occurred. The local registrar will require a range of personal information including the birth certificate of the deceased, medical card and National Insurance details.

Importantly the registrar will issue a Death Certificate, which is a copy of the entry in the death register. This certificate – and it's worth getting a few original copies at the same time – may be needed for bank, building society, life assurance and pension claims and in many cases originals will be required. The registrar will charge for these extra copies, but fees are lower than if you apply for them later on.

The registrar should also be able to give you a free and useful government booklet 'What to do after a death in England and Wales' (D49), or 'What to do after a death in Scotland' (D49S) which are also available from local offices of the Department of Work and Pensions or Citizens Advice Bureaux or online.

### **Funerals**

First, check the death does not have to be reported to a coroner – which may delay the funeral. Then find out if there is a will and whether the deceased had any special requests for their funeral. Funeral requests, however, are not binding and generally the nearest relative, executor or administrator (see page 6) will decide whether the body is to be cremated or buried.

Most funerals are arranged by a funeral director, although they don't have to be and you can decide to make the necessary arrangements by yourself. The deceased may even have made arrangements in advance with a particular firm or with a special policy to cover the costs. Check the papers of the person who has died for details of any pre-paid plan. If they had a financial adviser, then that individual may have details of any policies and other investments.

The only legal requirements governing what happens to the body of the deceased in Britain are that the death has been certified and registered, and the body is properly taken care of by burying or cremation.

If you do decide to use a funeral director it is worth comparing costs. Funerals generally cost £1,000 upwards.

But if there are problems paying for the funeral, the government's Social Fund may help out. In particular, 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.

### **Wills**

Wills allow someone to formally leave instructions for the distribution of their assets and often for their funeral intentions – and to communicate these wishes without the potential distress or difficulties of discussing them directly with relatives. It is important that wills are updated as the individual's wishes change. Wills also allow provision to be made for people who perhaps wouldn't otherwise benefit.

If there is a will, the named executors need to seek what is known as probate from the Inland Revenue. Once 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 find it, contact solicitors or banks the deceased may have used.

If someone dies without a will, their assets are distributed according to the rules of intestacy. This could mean assets and money going to people the deceased had not wanted to benefit. It could also lead to people who the deceased wanted looked after – unmarried partners, for example – not inheriting, and even unnecessary problems with inheritance tax.

### **Executors and administrators**

When a person dies, someone has to sort out their estate – the money, property and other possessions they have left. There may be money owed to the deceased that needs collecting as well as debts and tax to be paid before the remainder of the estate can be distributed to the surviving family and other people who are entitled to it.

If there is a will, executors should be named. If there is no will, this person, who is normally the next of kin, is termed an administrator or personal representative.

Sometimes the deceased will have designated a solicitor or even their bank as executors of their will as well as a relative. Personal executors can also employ a solicitor, bank or other financial firm which offers a probate or estate administration service to help.

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

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

In addition, they will need to apply for Probate – the legal process that gives the right to distribute the assets to beneficiaries.

As a matter of priority the personal representative should ensure any property or assets of the deceased are secure.

Personal representatives should inform the deceased's bank, cancelling personal credit and debit cards; switching or cancelling direct debits and standing orders; and transferring joint bank accounts into sole accounts (if necessary).

If the deceased was a tenant, notify the landlord, council or housing agency and – if required – give notice to end the tenancy. If the deceased was living in a nursing or residential home but died in hospital, give notice to vacate the room in the home.

Other people to contact include the Department of Work and Pensions if the deceased was receiving a state pension or other benefits. The personal representative can claim any arrears of benefits owed to the deceased for distribution as part of the estate. The Department of Work and Pensions (formerly the DSS) will also provide details of benefits available to any surviving partner or dependent.

For tax, contact the Inland Revenue or the deceased's accountant. A refund may be due to the estate or tax may be due in the future.

At this stage it is also worth opening the deceased's post as it may provide evidence of assets or debts that might not otherwise be found.

### **What's the estate worth?**

Determining the value of the estate is the main responsibility of the executor or administrator. Before you can apply for probate – the authority to distribute the estate – you need to establish the deceased's total assets and liabilities. If the deceased was an organised person, there may be a file of all their financial and legal paperwork. If the deceased had a financial adviser, they may also have details. Otherwise you may need to do some detective work (see page 11 under Claiming Money Due).

You will need to get valuations at the time of death for each asset.

The assets to be added up are:

- any property
- possessions
- bank/building society accounts
- shares and other investments
- life assurance policies (except for those written in trust which fall outside the estate)
- pensions
- money owed from others
- the deceased's share of jointly owned assets.

Liabilities (which will need to be paid before dividing up the estate) consist of:

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

- probate costs.

### **Inheritance tax**

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

For inheritance tax purposes, your estate is made up of the value of all your assets and possessions at the time of death, the proceeds of insurance policies paid to your estate (other than 'in trust'), plus any 'Potentially Exempt Transfers' the deceased may have made in the previous seven years. Debts and reasonable funeral expenses are then deducted (as are probate and other costs) to arrive at the total of the estate.

The current (2008/2009) level of the inheritance tax threshold is £312,000 and any money or assets over this amount left in estate, is taxed at a whopping 40%!

Inheritance tax is due to be paid within six months of the end of the month in which the person died. Otherwise interest is added. In most cases inheritance tax must be paid before the probate/administration is granted.

### **Claiming money due**

Most adults probably have some sort of life assurance – whether as part of a pension scheme or in the form of an endowment or other savings policy that includes such cover.

An independent financial adviser (IFA) will be able to help you claim the payout quickly and efficiently. An IFA will be able to help you deal with financial companies and subsequently to advise you on what to do with money and investments you inherit. The key advantage of an independent financial adviser is that they can advise on products from any company across the whole market and provide suitable advice for you. To find IFAs in your locality call 0800 085 3250 or visit [www.unbiased.co.uk](http://www.unbiased.co.uk)

There are also a number of financial organisations that can help track down old savings and pensions, which you believe the deceased may have owned but for which you cannot find the paperwork or other details.

The Unclaimed Assets Register (6<sup>th</sup> Floor, Cardinal Place, 80 Victoria Street, London, SW1E 5JL; 0870 241 1713; [www.uar.co.uk](http://www.uar.co.uk)) specialises in searching for 'lost' financial assets. It estimates that there is as much as £15 billion of unclaimed savings, pensions, lottery and life assurance payouts.

The UAR charges £18 for a general search. 10% of these fees go to charity.

Both the British Bankers Association ([www.bba.org.uk](http://www.bba.org.uk)) and the Building Societies Association ([www.bsa.org.uk](http://www.bsa.org.uk)) have free services for helping trace old forgotten accounts.

The Pensions Regulator provides a free service for pensions (The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW) 0870 241 1144. [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

### **Probate**

Probate gives executors the necessary authority to gather in and distribute the deceased's assets. The length of time taken to obtain probate varies depending on the complexity of the estate. When you prove that probate has been granted to, for example, a bank it will allow you to close the deceased's account and withdraw funds.

You or a solicitor can apply for probate from the Probate Registry at [www.hmcourts-service.gov.uk](http://www.hmcourts-service.gov.uk).

### **Final accounts**

Once you have probate or letters of administration you can collect and distribute the deceased's assets. The personal representative must now produce final accounts – including expenses – for the residuary beneficiaries (those getting whatever is left once specific bequests have been made).

Finally, it may be worth contacting a service called the Bereavement Register. This removes the names and addresses (and even telephone numbers), of people who have died, from databases and mailing lists, so avoiding the upset and distress of inappropriate junk mail or telemarketing. Call 0870 600 7222, asking for The Bereavement Register Helpline or go to [www.the-bereavement-register.org.uk](http://www.the-bereavement-register.org.uk)

This guide is based in IFA Promotion's understanding of current legislation, which is liable to change in the future. Procedures detailed above relate to England and Wales and may differ elsewhere in the UK.

For further information on the subject contained in this guide, please contact your IFA.

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