



Basic Accounting for Estates and Trusts



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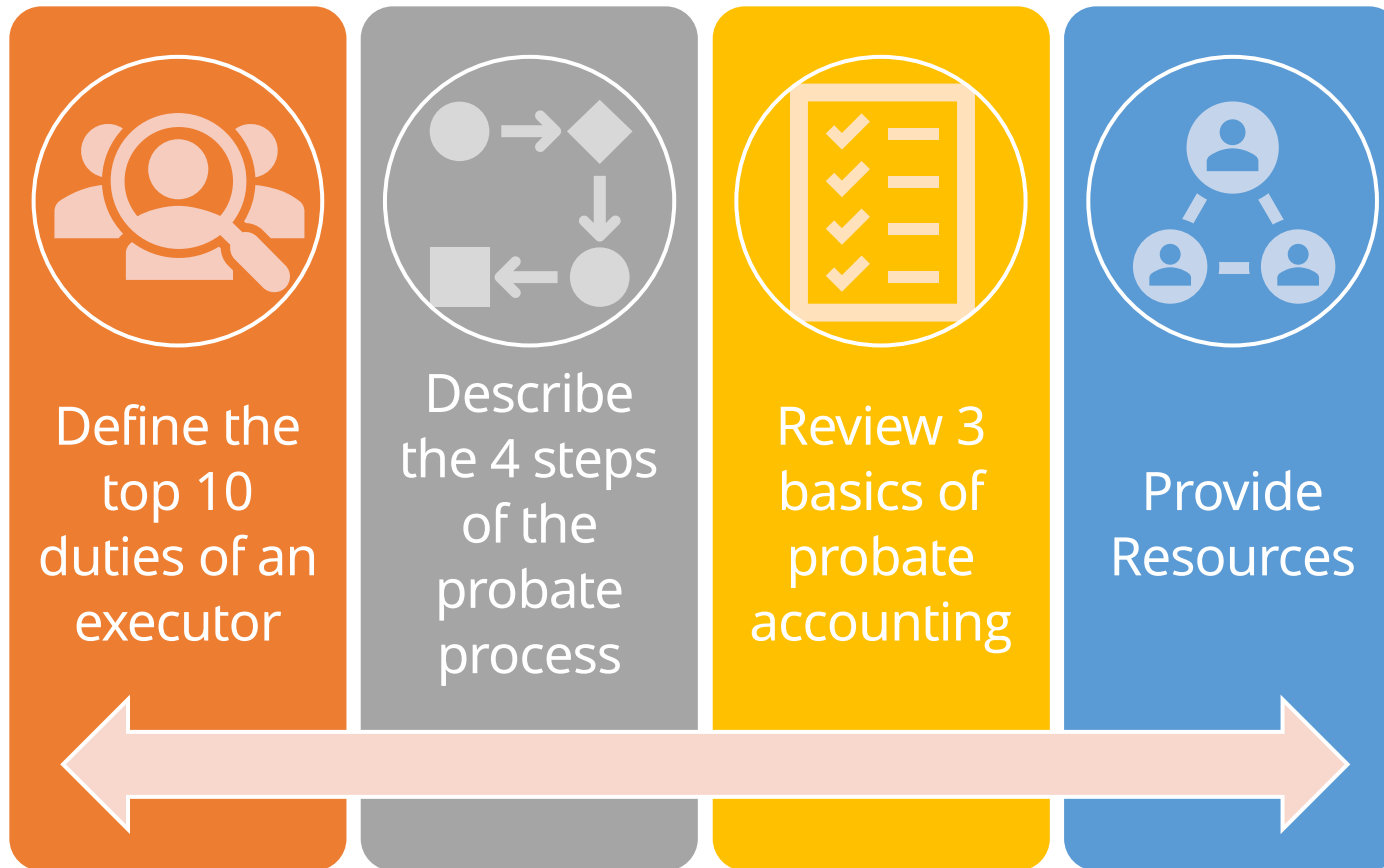
Estates



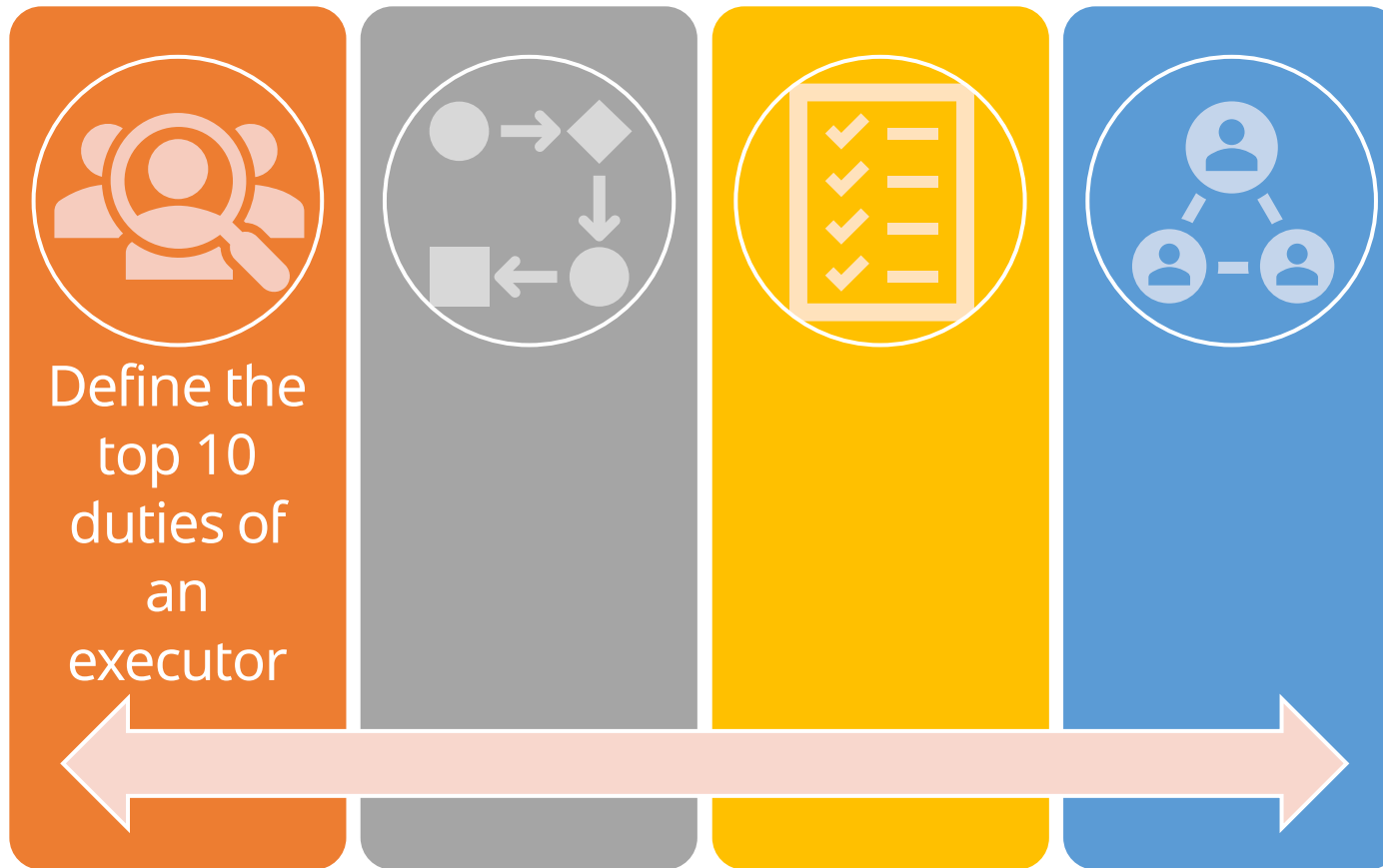
Trusts



Objectives – Basic Accounting for Estates



Objectives – Basic Accounting for Estates



Summary of an Executor

Broadly speaking, you will be distributing the deceased person's property and arranging for payment of estate debts and expenses.



Top 10 Duties of an Executor

1. Get a copy of the will and file it with the local probate court
2. Notify banks, credit card companies, and government agencies of the decedent's death
3. Decide what kind of probate is



Top 10 Duties of an Executor

4. Represent the estate in court

5. Set up a bank account for incoming funds and pay any ongoing bills

6. File an inventory of the estate's assets with the court

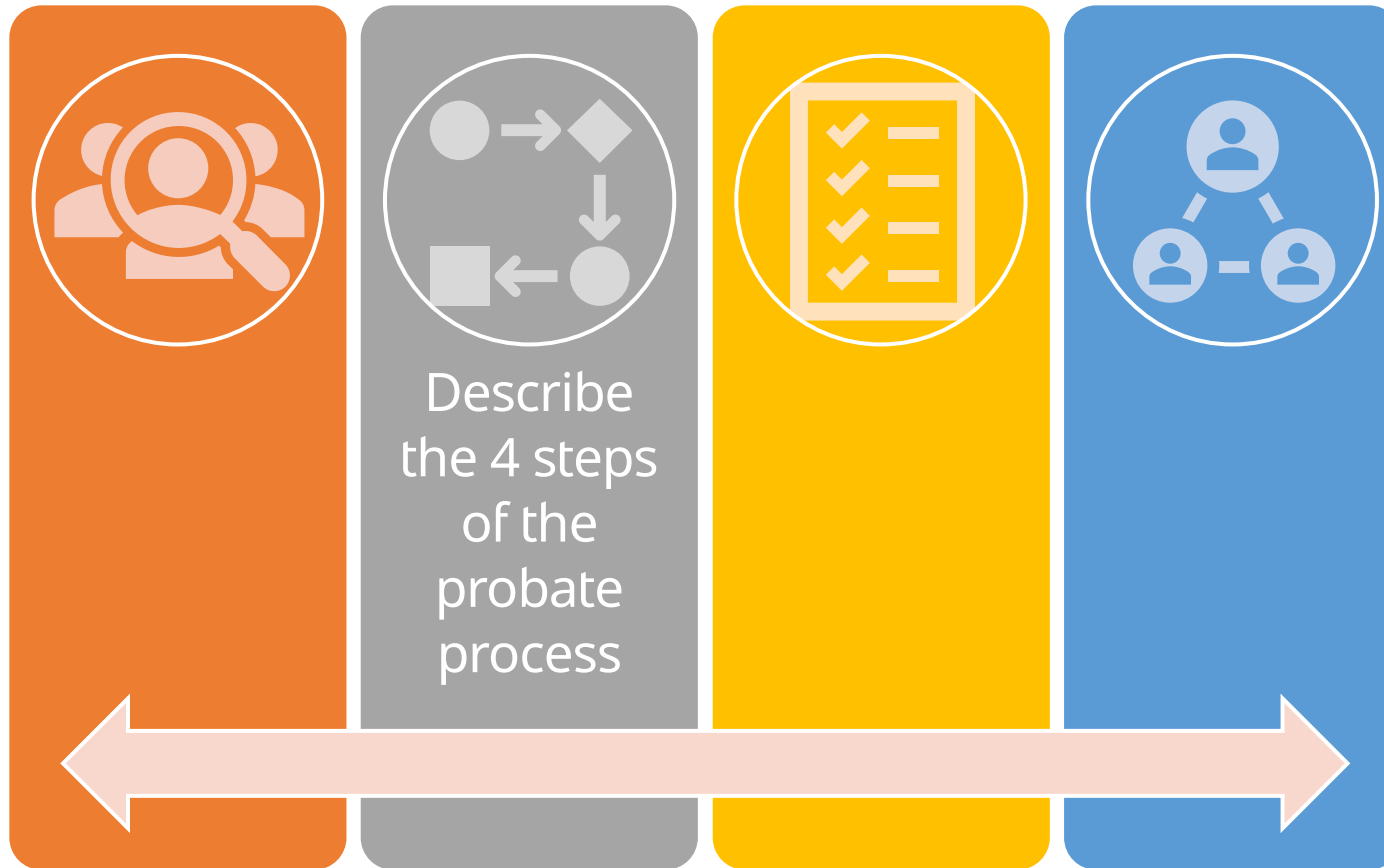


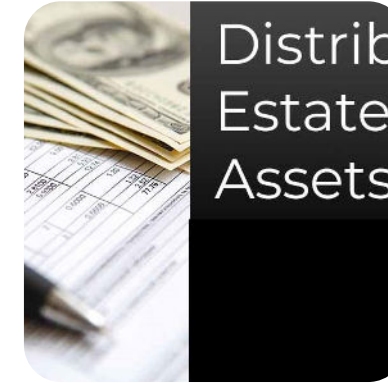
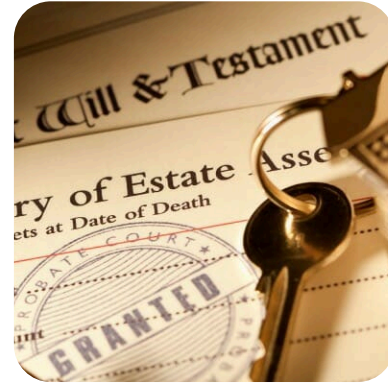
Top 10 Duties of an Executor

7. Maintain the property until it can be distributed or sold
8. Pay the estate's debts and taxes
9. Distribute assets
10. Dispose of other property



Objectives – Basic Accounting for Estates





Distrib
Estate
Assets

Filing

- Executor appointed
- Heirs to receive notice
- Published notice
- Petition for administration
- Heirs to receive notice

Inventory

- Identify, disclose, and value assets
- Take legal control
- Separate trust assets
- Inform creditors
- Identify and disclose debts

Payment of Debts

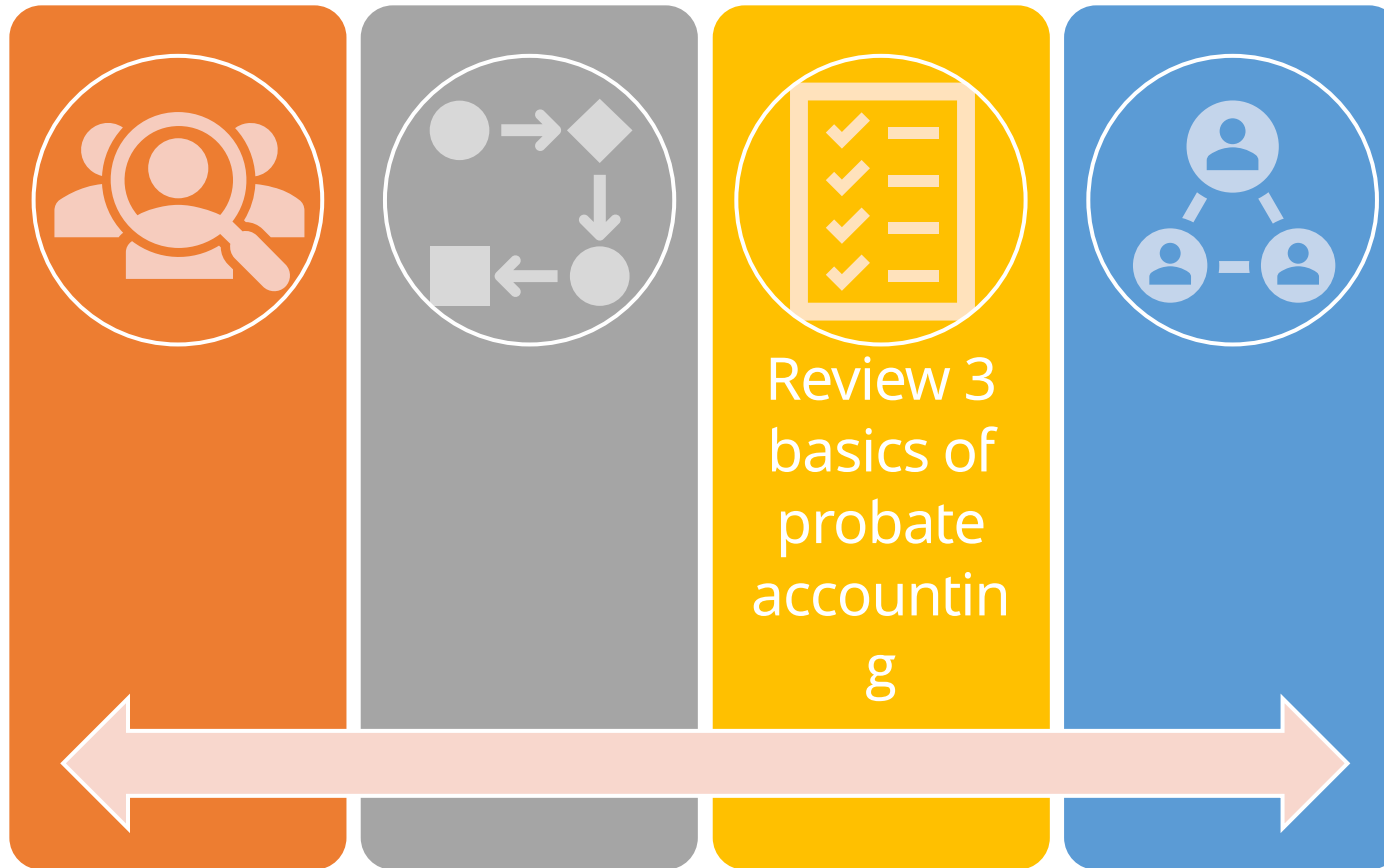
- Paid from estate assets
- File final tax return and pay taxes
- Pay funeral expenses
- Sell assets if necessary

Distribution of Assets

- According to will
- According to intestacy statutes
- Transfers via titles
- Form a trust
- Provide formal accounting



Objectives – Basic Accounting for Estates





Taking an inventory

- List all property
- Establishes estate value

Keeping records

- Assets acquired and sold
- Income and expenses
- Beginning inv and income

Submitting a final accounting

- Expenses and ending inv





an
inventor

- List all property
- Establishes estate value





Keeping records

- Assets acquired and sold
- Income and expenses



RECEIPT SOURCES

- Income tax refunds
- Interest on bank accounts
- Business or rental property income
- Lawsuits
- Increase (Decrease) in market value of stocks and bonds
- Sale of assets





DISBURSEMENTS

- Funeral expenses
- Medical expenses
- Credit card balances
- Utilities
- Property taxes
- Home or car insurance
- Maintenance expenses





RECORDKEEPING

- Open separate checking account
- Close existing bank accounts
- Record receipts and disbursements
- Use adequate descriptions on transactions

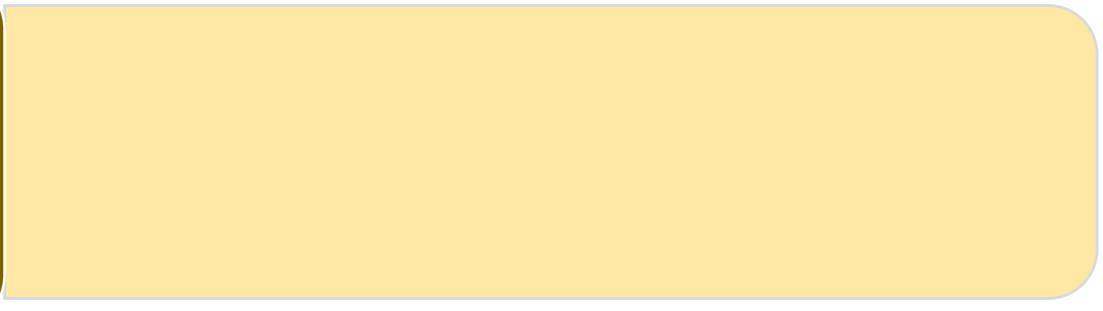




DISTRIBUTION

- After all funds have been received and all debts have been paid
- If no will, all assets convert to cash and distribution according to state law
- If a will, according to document





Submitting a
final
accounting

- Beginning inv and income
- Expenses and ending inv





FINAL ACCOUNTING FORM

- Beginning inventory – basic information
- Total receipts
- Total disbursements
- Total distributions



ACCOUNTING SOFTWARE

Off-the-shelf software
(e.g. TotalTrust, AccuTrust, Onesource
Fiduciary Accounting)

or

AASI





How can I best use AASI for estate accounting?





Available Funds in AASI

81 Irrevocable Trusts

82 Unitrusts

83 Matured Estates

84 Life Income Irrevocable
Trusts

88 Revocable Trusts





Available Functions in AASI

97 IRREVOCABLE TRUSTS

9702 Charitable Remainder Irrevocable

Trusts

975 ESTATES

9752 Estates

975xxxxxxxxxxxxxxxxxxxxx Jon Doe Estate

98 REVOCABLE TRUSTS

9802 Charitable Remainder Revocable



Available Asset Accounts in

AASI

Since this fund will not be combined with the other Funds of the Conference, use asset, liability, income and expense accounts which best describe the activity you want to record.

Examples are:

- 102100 – Checking Account (Bank sub-account)
- 104100 – CD Short (Bank sub-account)
- 105100 – Money Market Accounts (Bank sub-account)
- 114100 – Mutual Funds (Bank sub-account)
- 117100 - Stock
- 118100 – Revolving Fund
- 201100 – Land (Property sub-account)
- 204100 – Residences (Property sub-account)
- 205100 – Furnishings and Equipment
- 206100 - Vehicles



Available Liability Accounts in

AASI

Use liability accounts which best describe the activity you want to record.

Examples are:

331100 – A/P Creditors and Vendors

358120 – Other Notes and Loans Payable (Property sub-account)

502630 – Allocated Matured Estate



Available Income Accounts in

AASI

Use income accounts which best describe the activity you want to record.

Examples are:

711400 - Interest Income

711600 - Dividend Income

712100 - Realized Gain on Sale of Investments

714200 - Rent Income (Property sub-account)

722100 - Matured Wills

736100 - Additions to Split Interest Agreements

761100 - Insurance Proceeds

762100 - Proceeds from Sale of Assets

782100 - Gain on Sale of Other Assets



Available Expense Accounts in

AASI

Use expense accounts which best describe the activity you want to record.

Examples are:

- 875100 – Legal Expense
- 887100 – Telephone Expense
- 891200 – General Expense (Project sub-account)
- 902330 – Maintenance Expense
- 904100 – Property Insurance
- 907100 – Utilities
- 912100 – Realized Loss on Sale of Investments
- 937100 – Payments to Residual Beneficiaries
- 982100 – Loss on Sale of Other Assets





Examples of Entries

Entry to record acceptance of the estate

83-9751100-102100-250 Bank	Checking Accounts – First City
83-9751100-118100-100	Revolving Fund
83-9751100-204100-800	Residences
83-9751100-205100-0	Furniture and Equipment
83-9751100-206100-0	Vehicles
83-9751100-722100	Matured Wills Income





Examples of Entries

Entry to close estate bank accounts and move cash to your common bank account

83-9751100-102100-100
Bank

Checking Accounts – Chase

83-9751100-102100-250
City Bank

Checking Accounts – First

83-9751100-118100-100

Revolving Fund





Examples of Entries

Entry to record the sale of the car

83-9751100-102100-100
Bank

83-0E-9751100-982100
Assets

83-9751100-206100-0

Checking Accounts – Chase

Realized Loss on Sale of Other

Vehicles





Examples of Entries

Entry to record proceeds from a life insurance policy owned by the testator

83-9751100-102100-100
Bank
83-2-9751100-761100

Checking Accounts – Chase
Insurance Proceeds





Examples of Entries

Entry to record the payment of utilities incurred by the estate before the house was either sold or distributed

83-0E-9751100-907100

Utilities

83-9751100-102100-100

Checking Accounts –

Chase Bank



Examples of Entries

Entry to record the final distribution of cash and property to the beneficiaries when closing the estate

83-0E-9751100-937100

Beneficiaries

83-9751100-102100-100

Chase Bank

Payments to Residual

Checking Accounts –

83-0E-9751100-937100

Beneficiaries

83-9751100-204100-800

83-9751100-205100-0

Payments to Residual

Residences

Furniture and Equipment





Reporting of Activity

- Reports of self-balancing set of accounts for the estate
- Reports of receipts and disbursements
- Records for making final distributions
- Records for final accounting to the court





Self-Balancing Set of Accounts

SWUC Trust and Annuity
SWUC Trust and Annuity
Trial Balance - April/2023 Adjusted

Year	Period	Group	Account Name	Function	Debit	Credit	YTD Budget
2023	4	83-0A-102100	Checking Account	9751100	60,280.25		
2023	4	83-0A-204100	Residences	9751100	30,000.00		
2023	4	83-0A-205100	Furnishing and Equipment	9751100	10,000.00		
2023	4	83-2 -722100	Matured Wills	9751100		50,900.00	
2023	4	83-2 -761100	Insurance Proceeds: Property Loss	9751100		50,000.00	
2023	4	83-0E-907100	Utilities	9751100	119.75		
2023	4	83-0E-982100	Loss on Sale of Other Assets	9751100	500.00		
				Total	100,900.00	100,900.00	0.00



Statement of Financial Activity

SWUC Trust and Annuity
 SWUC Trust and Annuity
Statement of Financial Activity
 Period ending 2023/4 and 2022/4

Code	Schedule By Functions	Actual 2023/4	Budget 2023/4	Variance 2023/4	Annual Budget	Actual 2022/4
Function:	9751100 Bo Just Estate					
<u>Revenues and Support without Donor Restrictions</u>						
722100	Matured Wills	50,900.00	0.00	50,900.00	0.00	0.00
761100	Insurance Proceeds: Property Loss	50,000.00	0.00	50,000.00	0.00	0.00
Total Revenues without Donor Restrictions		100,900.00	0.00	100,900.00	0.00	0.00
Total Revenues and Support without Donor Restrictions		100,900.00	0.00	100,900.00	0.00	0.00
<u>EXPENSES</u>						
907100	Utilities	119.75	0.00	119.75	0.00	0.00
982100	Loss on Sale of Other Assets	500.00	0.00	500.00	0.00	0.00
Total Expenses		619.75	0.00	619.75	0.00	0.00
Net Increase (Decrease) From Operations		100,280.25	0.00	100,280.25	0.00	0.00
Net Increase (Decrease) without Donor Restriction After Transfers		100,280.25	0.00	100,280.25	0.00	0.00
Unrestricted Net Assets, Beginning		0.00	0.00	0.00	0.00	0.00
Unrestricted Net Assets, Ending		100,280.25	0.00	100,280.25	0.00	0.00
TOTAL NET ASSETS		100,280.25	0.00	100,280.25	0.00	0.00
Unrestricted Net Assets, Ending		100,280.25	0.00	100,280.25	0.00	0.00
Total Net Assets, Ending		100,280.25	0.00	100,280.25	0.00	0.00



Checking Account Reconciliation

SWUC Trust and Annuity
SWUC Trust and Annuity
Trial Balance - April/2023 Adjusted

Year	Period	Group	Account Name	Function	Debit	Credit	YTD Budget
2023	4	71-0A-102100	Checking Account	0000	3,852.24		
2023	4	81-0A-102100	Checking Account	0000	7,122.14		
2023	4	83-0A-102100	Checking Account	9751100	60,280.25		
			Total		71,254.63	0.00	0.00



Final Activity Report

SWUC Trust and Annuity
SWUC Trust and Annuity
Statement of Financial Activity
Period ending 2023/5 and 2022/5

Code	Schedule By Functions	Actual 2023/5	Budget 2023/5	Variance 2023/5	Annual Budget	Actual 2022/5
Function:	9751100 Bo Just Estate					
<u>Revenues and Support without Donor Restrictions</u>						
722100	Matured Wills	50,900.00	0.00	50,900.00	0.00	0.00
761100	Insurance Proceeds: Property Loss	50,000.00	0.00	50,000.00	0.00	0.00
Total Revenues without Donor Restrictions		100,900.00	0.00	100,900.00	0.00	0.00
Total Revenues and Support without Donor Restrictions		100,900.00	0.00	100,900.00	0.00	0.00
<u>EXPENSES</u>						
907100	Utilities	119.75	0.00	119.75	0.00	0.00
937100	Payments to Residual Beneficiaries	100,280.25	0.00	100,280.25	0.00	0.00
982100	Loss on Sale of Other Assets	500.00	0.00	500.00	0.00	0.00
Total Expenses		100,900.00	0.00	100,900.00	0.00	0.00
Net Increase (Decrease) From Operations		0.00	0.00	0.00	0.00	0.00
Net Increase (Decrease) without Donor Restriction After Transfers		0.00	0.00	0.00	0.00	0.00
Unrestricted Net Assets, Beginning		0.00	0.00	0.00	0.00	0.00
Unrestricted Net Assets, Ending		0.00	0.00	0.00	0.00	0.00
TOTAL NET ASSETS		0.00	0.00	0.00	0.00	0.00
Unrestricted Net Assets, Ending		0.00	0.00	0.00	0.00	0.00
Total Net Assets, Ending		0.00	0.00	0.00	0.00	0.00



ESTATE TAX RETURNS

- This is covered in another seminar
- Is generally due 9 months after death
- Is required if value of estate exceeds \$12,920,000 for 2023, or \$600 of gross income during the estate administration



ESTATE TAX RETURNS

- Form 1041-US Income Tax Return for Estates and Trusts
- Schedule K-1-Beneficiary's Share of Income, Deductions, Credits, etc.
- Form 706-US Estate Tax Return
- Form 8971-Information Regarding Beneficiaries Acquiring Property From A Decendent
- Form 709-US Gift Tax Return
- Form 4768-Application for Extension of Time to File A Return and/or Pay US Estate Taxes



Objectives – Basic Accounting for Estates



Resources for Estates

Planned Giving & Trust Services
Manual

The Executors's Guide - Mary
Randolph-9th Edition

IRS.gov – Publ 559 and other Forms
with instructions





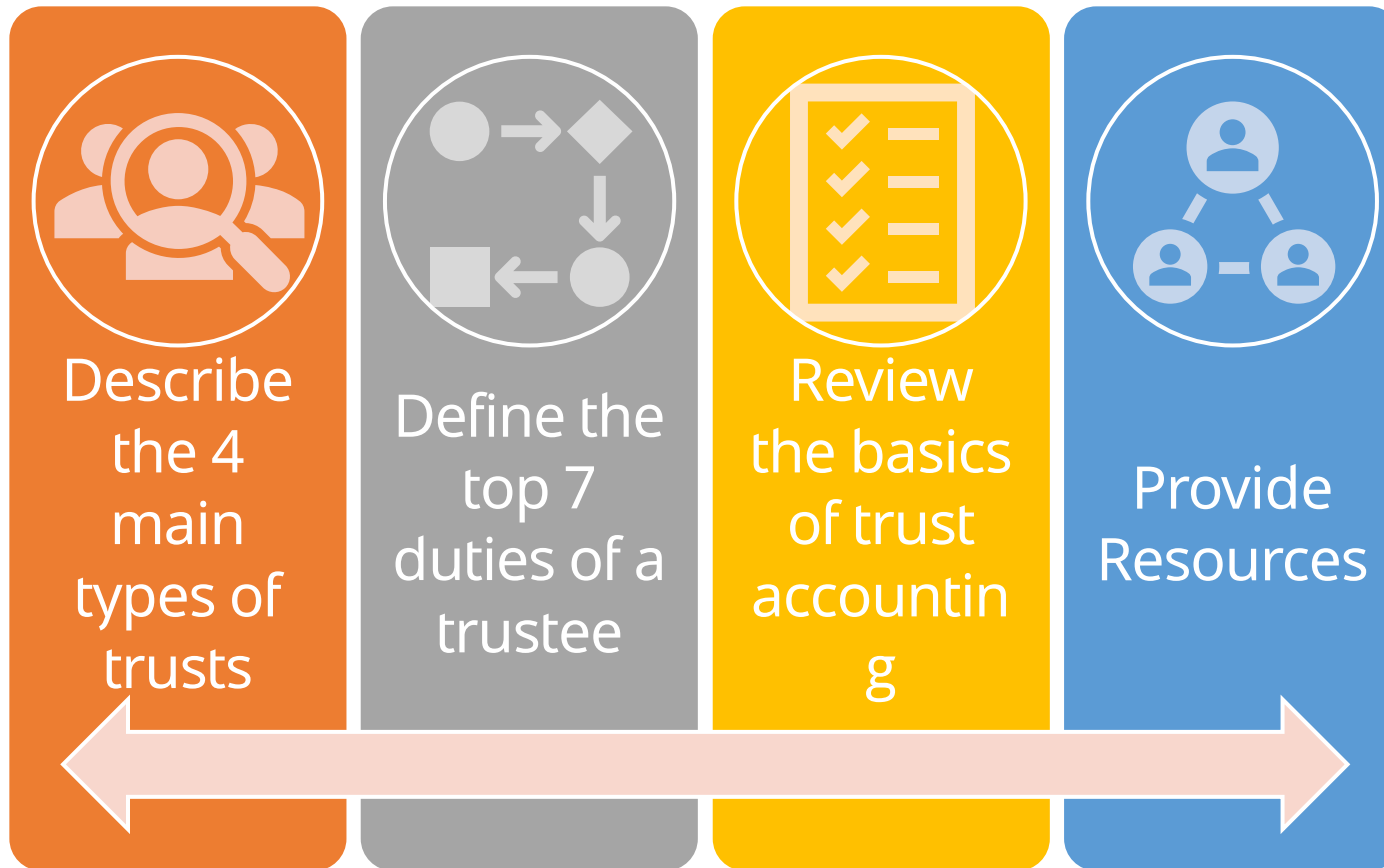
Estates



Trusts



Objectives – Basic Accounting for Trusts



Objectives – Basic Accounting for Trusts



Living Trust

- ❖ A living trust (inter vivos trust) is one created by the grantor during their lifetime.
- ❖ Could be either revocable or irrevocable.
- ❖ Revocable trusts become irrevocable at grantors death.



Testamentary Trust

- ❖ A testamentary trust is one which is created by the grantor's will.
- ❖ Is irrevocable because of the grantor's death.
- ❖ Examples are a Special Needs Trust or Dependent Care Trust.



Revocable Trusts

- ❖ The grantor names a trustee for the trust, and that trustee has the power to change or revoke the trust at any time until the death of the grantor.
- ❖ Generally the grantor will name themselves as the trustee.

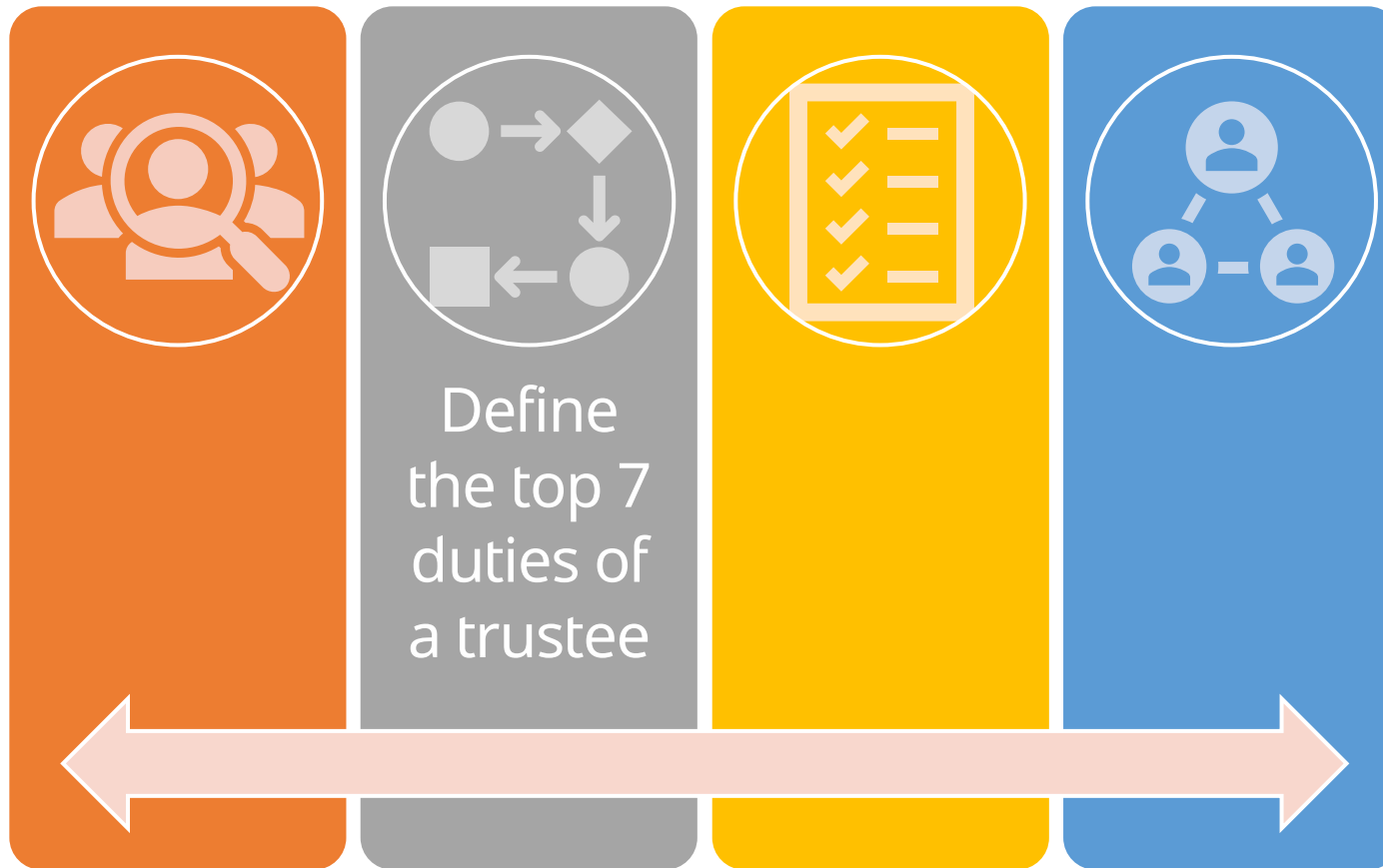


Irrevocable Trust

- ❖ No changes or modifications can be made to an irrevocable trust.
- ❖ Assets transferred to the trust cannot be undone.
- ❖ Trust assets may be protected from claims of creditors, beneficiaries, or even



Objectives – Basic Accounting for Trusts



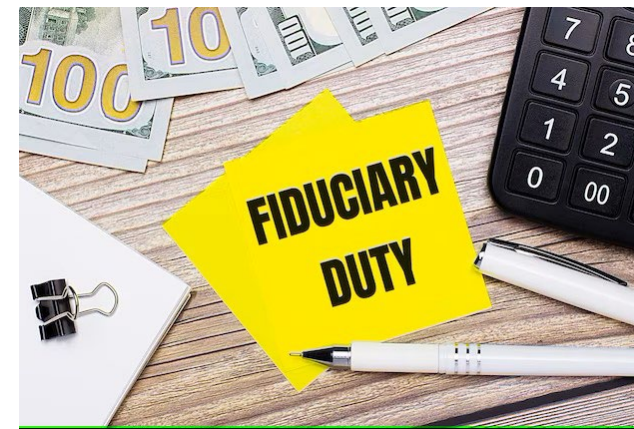
Summary of a Trustee

Being a trustee means you are a “fiduciary.” A fiduciary is a person to whom property or power is entrusted for the benefit of another. Being a trustee of someone else’s trust gives you the legal authority to manage and control the assets held in trust; however, you are obligated to do this in a manner that is in the best interests of the beneficiaries.



Top 7 Duties of a Trustee

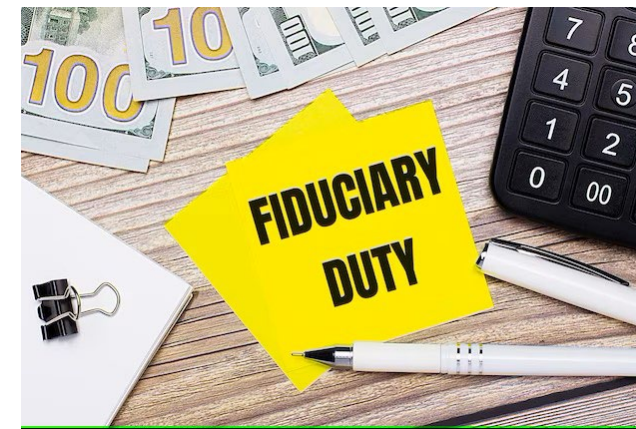
1. Duty of Loyalty
2. Duty of Impartiality
3. Duty to Avoid Conflicts of Interest



Top 7 Duties of a Trustee

4. Duty of Disclosure of Information

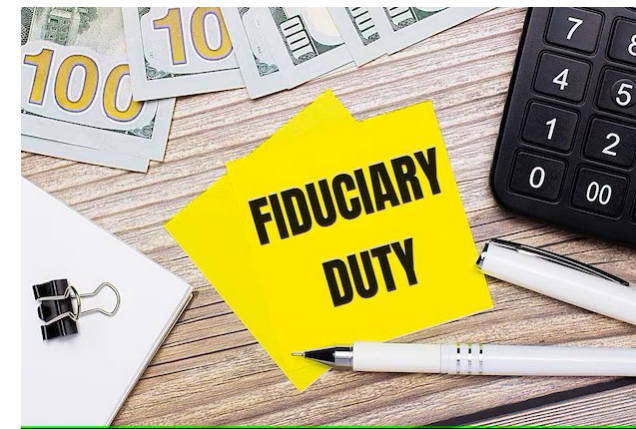
5. Duty Not to Delegate



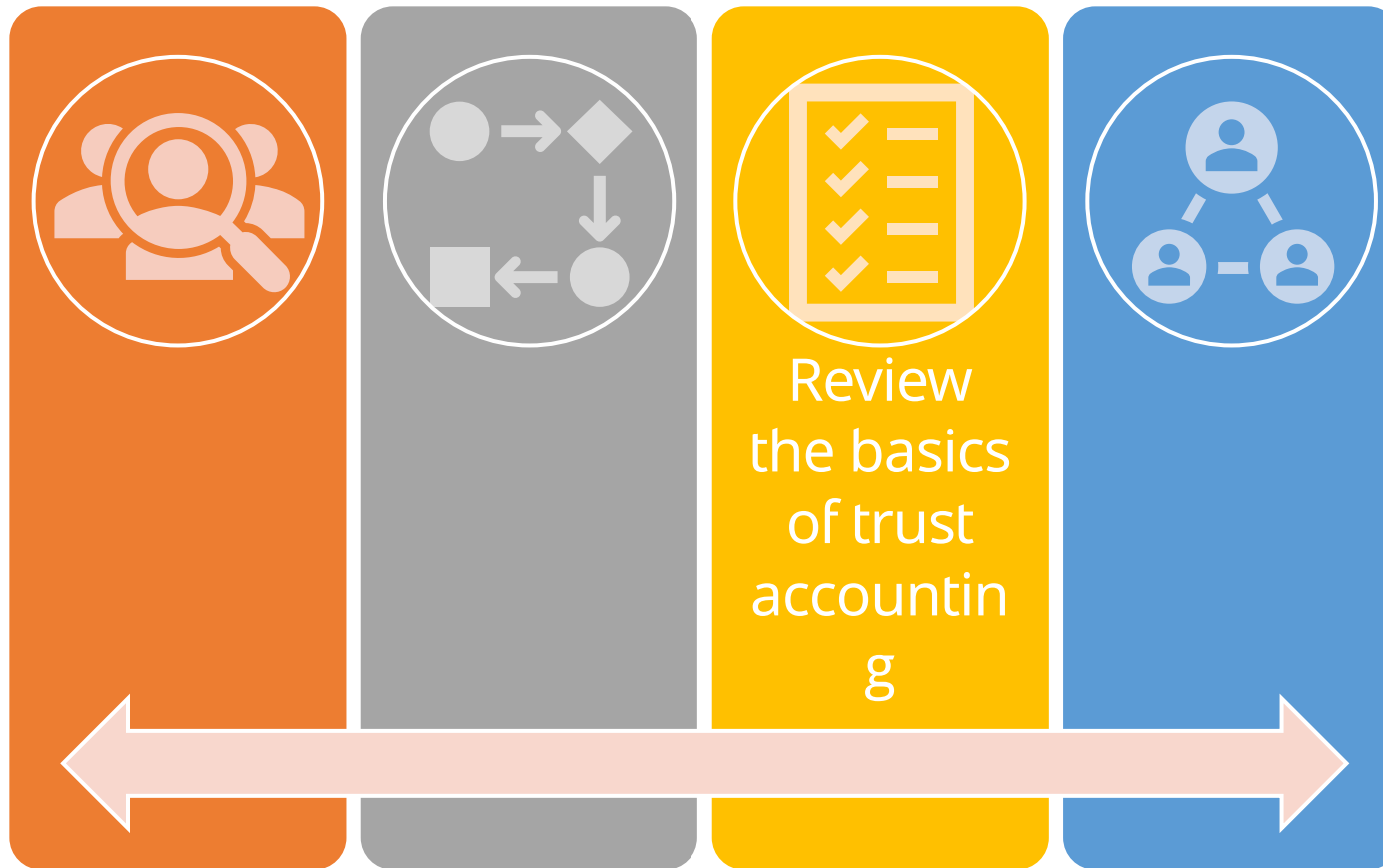
Top 7 Duties of a Trustee

6. Duty to Enforce or Defend Claims

7. Duty to Keep Trust Assets Separate From Trustee's Own Property



Objectives – Basic Accounting for Trusts





- ❖ If you are not the trustee, then no accounting is necessary. You should, however, maintain a list of trusts and the assets of each trust, if known.
- ❖ Providing an annual Trust Summary for the Revocable Trusts to the settlor will help to keep the asset list up-to-date and keeps you in contact with the trustor.
- ❖ In AASI, Fund 88 is designated for Revocable Trusts.
- ❖ If you are the trustee, the accounting would be the same as what we already discussed for estates.
- ❖ Financial activity is not included in the organization's financial statements.





- ❖ Unitrusts, CRTs, CLTs, ILITs, IFTs are all examples of irrevocable trusts.
- ❖ Once a revocable trust matures, then it becomes irrevocable.
- ❖ If you are not the successor trustee, your only duty is to get the trust documents to the appropriate trustee, and you can close out the file.
- ❖ If you are the successor trustee, formal accounting for the organization's financial statement and tax returns begins.





- ❖ In AASI, Fund 81 is designated for Irrevocable Trusts.
- ❖ If you are the trustee, the accounting would be the same as what we already discussed for estates, except, in AASI, you need to use accounts in the "72", "73", and "93" range of accounts.
- ❖ Providing an annual Trust Summary for the Irrevocable Trusts to the settlor will help to keep you in contact with the trustor.
- ❖ Trust assets should be properly titled in the name of the trust and held under the trust's tax ID number.



TRUST TAX RETURNS

- ❖ This is covered in another seminar
- ❖ Is generally due on the 15th day of the 4th month after the close of the tax year
- ❖ Is required if income is greater than \$100 for a complex trust or \$300 for a simple trust



TRUST TAX RETURNS

- Form 1041-US Income Tax Return for Estates and Trusts
- Schedule K-1-Beneficiary's Share of Income, Deductions, Credits, etc.
- Form 5227-Split-interest Trust Information Return
- Form 8868-Application for Automatic Extension of Time to File an Exempt Organization Return
- Form 56, Notice Concerning Fiduciary Relationship



Objectives – Basic Accounting for Trusts



Resources for Trusts

Planned Giving & Trust Services
Manual

The Trustee's Legal Companion- Liza
Hanks and Carol Zolla-7th Edition

Estate and Trust Administration For
Dummies-Margaret Munro and
Kathryn Murphy-2nd Edition





THANK
YOU!



NAD WORKING POLICY BA 70 10.6

6. Planned Giving & Trust Services Programs
Trusts, wills, charitable gift annuities, and other estate planning documents shall be retained permanently in their original form. Other documents including information worksheets, accounting reports, tax returns, correspondence, email messages and other routine materials may be retained in a secure and accessible electronic form. These guidelines shall be reviewed periodically, e.g., every three to five years.



NAD WORKING POLICY BA 70 10.6

Legal documents are now the only documents that are required to be kept in their original form forever. Some examples given in the policy of documents that must be permanently retained in their original form are trusts, wills, charitable gift annuities, and other estate planning documents.

Informational documents may be kept in electronic form. With direction from your information technology (IT) department and your local legal counsel, your organization may formulate a secure record retention policy that will comply with the working policy, data security, and local statutes. A schedule for document destruction of the original informational documents after scanning them should be included as part of this retention policy.

