

A photograph of a man and a young boy planting a tree in a park. The man, wearing a red and blue plaid shirt and blue jeans, is kneeling on the right, smiling as he holds the base of a small tree. The boy, wearing a striped sweater and blue jeans, is kneeling on the left, focused on the task. The background is a blurred park with trees and grass.

DECEASED ESTATE ADMINISTRATION “Murphy NOT Meyerowitz

INDEPENDENT SPECIALIST ADVICE

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Associate representation in Durban, Johannesburg and Port Elizabeth

LEGACYFS
Fiduciary Services & Estate Planning

INTRODUCTION

- Welcome

Why me?

Been practising for 32 years, emphasis is on still practising, hope to get it right one day.

- Why “Murphy not Meyerowitz”?

- Some practical tips

- Forum for questions, answers and a discussion

INTRODUCTION continued

I want to open the discussion around how do we keep calm, actually earn some money and avoid melt down.

I hope that it is semi-interactive too and more of a discussion.

I may be way off on certain points, and I DO NOT KNOW EVERYTHING OR POSSIBLY ANYTHING.... BUT MEYEROWITZ if he was alive now would probably become an aroma therapist if he could see what is happening today in practice.

How many of you here deal daily with the process that is “DECEASED ESTATE ADMINISTRATION”?

How many of you oversee the process or manage a team of administrators?

Actually, physically administer deceased estates on a day-to-day basis?

How many of you actually get down and dirty in the estate matters and do not just supervise?

NOT FUN ANYMORE IS IT?

Compliance, red tape, FICA, KYC, tax, Master's Office

When I started in this field 32 years ago it was VERY different.

The Master's Office was easily approachable. You could pop across and view files, discuss issues and debate with Assistant Masters etc.

Today, no access given, no files accessible and no one seems to have the expertise to deal with queries.

The Master's Office won't make decisions or makes them when they should not.

The Master's Office and institutions ask practitioners for all kinds of info that does not apply, but we are too scared to push back for fear of being "blackballed" thus we just hand over info out of desperation.

STILL NOT FUN ANYMORE

The BANKS!!!!...

Do you remember the time that you could get COBs from banks with just the Death Certificate, even BEFORE you received LOE?

THE MASTER!!!

You could even report an Estate to the Master without a Death Certificate (that is why the Death Notice asks – “were you present when deceased passed away, if NO, did you identify the body after death.”) Your word was your bond.

The Master would issue the Estate Duty assessment via the internal SARS official.

WHAT HAS HAPPENED???

Modernisation of the offices and FICA etc. has slowed down the process dramatically. IS THIS ALL NECESSARY?

THERE ARE REASONS FOR DELAYS....FRAUD AND “SKELMS”

We must not be too hard on the institutions for the delays in responding to accepting documents , issuing COBs and closing bank accounts.

FRAUD is committed daily, and they are under attack. It effects our clients and heirs, if they (the institution) makes a mistake.

ACTUAL case in point where a family was lucky.....

Fraudulent Executor appointed within 2 hours.

HOW MANY ESTATES SHOULD ONE ADMINISTRATOR REALISTICALLY BE ABLE TO ADMINISTER A MONTH?

OK, so those of you who are actually doing the “day to day” administering.....

How many estates are you running currently? I mean your own specific book or list?

Do you know what the optimum number is that you should possibly be able to administer on a “month to month basis”? It is probably a lot less that you think.

At an average of 20 days per month, and taking into account the wide range of issues in an estate file, you need at least 3 to 4 hours per matter per day.

So? Number?

COSTING, BUDGETING, MAKING MONEY

Any idea what the rough cost is to “run’ an estate successfully? Including your salary, support, compliance costs, stationery, IT, updates, subscriptions, membership etc. etc. etc.?

The actual cost is upwards of R45,000 per estate with a small built in profit. SO...what does that mean?

If you are running the 40 estates at R45,000 fees per an estate on average, **AND you are able to smash them in 12 months**, that is R1,800,000 per annum.

BUT.... administrators cost on a pure base salary (average of R35,000 for a good senior). If you are working on an incentive basis over and above a base cost salary then you may be paying closer to R50,000 a month all in and upwards.

COSTING, BUDGETING, MAKING MONEY cont.

So that means that:

You are getting R1,800,000 as income

Paying R600,000 as a minimum on salaries

Allowing for another $\frac{1}{3}^{\text{rd}}$ to cover costs R600,000 (rental, copiers, compliance, memberships, fuel, stationary etc. etc. etc).

It all seems to work, as generally in any accounting/legal practices, cost to company vs budgets etc. is at a $\frac{1}{3}^{\text{rd}}$ basis as in:

$\frac{1}{3}^{\text{rd}}$ for employee,

$\frac{1}{3}^{\text{rd}}$ to costs and

$\frac{1}{3}^{\text{rd}}$ to the company as a profit.

Leaving a net profit of R600,000-00. NICE...BUT....

COSTING, BUDGETING, MAKING MONEY cont.

These days wrapping an estate up in 12 months it not that simple and not easy in the current climate when it can take

4 months or longer to get Letters of Executorship,

4 months or longer to get COB'S and tax sorted; and

4 months or longer to get SARS final tax compliance clearance.

SO... what 3 issues stand out immediately from the above?

1. Focus on LOE asap and do whatever you can to expedite their issuing...get smart and get the info plus signed and reported asap.

2. Focus in advance on SARS.

AND, realistically,

3. you cannot take on an estate matter where the fees will be below R50,000 unless it is

a) A strategic estate (family member of a large client); or

b) You are the nominated Executor and really are duty bound in my view to assist.

OK, so how can we approach Estate Administration in the “Modern World”

- STEP 1. INFORMATION – AS MUCH AND AS QUICKLY AS POSSIBLE
- STEP 2. REPORT THE ESTATE – AS QUICKLY AS POSSIBLE
- STEP 3. PREPARE ON ALL ASPECTS OF WHAT IS IN THE ESTATE
- STEP 4. END GAME INFO AND PLAN THE ENTIRE ESTATE FOR IT
- STEP 5. KEEP FAMILY / EXECUTOR UPDATED AND INFORMED

INFORMATION – AS MUCH AND AS QUICKLY AS POSSIBLE

Focus on getting a copy of the Will, Death Certificate and IDs immediately.

Get rough idea as to assets for Inventory.

Use names and ID number and do a Windeed for the property.

NB NB The Preliminary Inventory only needs to show assets above or below R250,000-00 so don't wait for info on accounts etc. if there is a property, as you can get municipal valuation from Windeed to report.

Develop and use a questionnaire if necessary and as a **MUST** use an Estates Package....MSWord and Excel can only take you so far.

REPORT REPORT REPORT. GET THE ESTATE REPORTED ASAP

Get the info, draft the forms and get ready to have signed and submitted.

You should set as a goal to have the estate reported to the Master within 5 days of the death certificate being issued, so get that info.

Make sure that you use the online new reporting with the Master.

Yes, it has severe teething problems and now takes longer to get LOE than ever, but they will not go back and this WILL be the way forward

PREPARE ON ALL ASPECTS OF WHAT IS IN THE ESTATE

Work out a full plan on the estate.

List all known, possible and “maybe” assets and establish best way to have valued – “speed speed”

List all known, possible and maybe liabilities.

Focus on whether there is an existing “competent” tax practitioner involved.

Establish what jurisdictions there are (offshore?). Do you need documents for use overseas?? ORDER THEM IMMEDIATELY NOW!!

Establish (even if a cigarette box calculation) what possible Estate Duty there may be.

END GAME INFO AND PLAN THE ENTIRE ESTATE FOR IT

What is the end game for the heirs? Establish it quickly.

Is there a surviving spouse? If so, does she want to keep an asset or sell it?

If it is a “keep”, how quickly can you get a value? Remember if a surviving spouse is the heir, then SARS will not need appraisals etc. municipal valuations will work, so don't waste money or time.

If the asset is to be sold, do not spend money on valuations etc. as the sale will give you the sale price.

If heirs are not the surviving spouse, then fully explain their options. Keep or sell or redistribute. Get them to start thinking on what they want.

What is the end game.

KEEP FAMILY / EXECUTOR UPDATED AND INFORMED

GOLDEN RULE....keep heirs, Executors updated.

Try to get them some info at least every 2 months.

Even if there is nothing new to report, tell them.

The BIGGEST complaint against us as an industry is that “it takes so long, and no one tells us anything and we always have to ask!”

I am personally at fault in this, but I like you, must reprioritise this as NUMBER 1.

EXPLAIN TO YOUR CLIENTS THAT

I advise clients/heirs that there are generally 4 main reasons why the administration of a deceased estate may take a long time.

1. **NO CORRECT INFORMATION AT HAND RIGHT AWAY** - to allow for fast reporting of the estate.

- a. Can't find a will
- b. No idea as to assets
- c. Death certificate wrong
- d. Death occurred outside of RSA

2. **A SARS LANDMINE** – tax affairs of deceased are in chaos, or financials of assets like private companies are behind and tax admin is a delay.

- a. Taxes not done for years
- b. Issues of assets valued correctly
- c. VAT behind, or worse not paid.

NB NB NB BEWARE the Sole Proprietor and VAT

EXPLAIN TO YOUR CLIENTS THAT...cont.

3.SOMETHING HAS TO BE SOLD – wait for the right buyer at the right price.

- a property market may be in a slump and heirs don't want to sell now;
- b all heirs cannot agree as to manner of sale, price or whether to be sold at all

4."SCHIZO" HEIRS/EXECUTORS -cannot decide on what they want or will not decide.

- a in my view this is the most dangerous.
- b I have had heirs fighting over ashes.
- c Heirs not agreeing to anything. "JUST BECAUSE"
- d Executor siblings just being obstinate because of the other sibling
- e "in laws becoming outlaws"

LASTLY.....RECORD AND NOTE EVERYTHING.....COVER YOUR BACK

- Make sure that you keep full records.
 - Keep comprehensive notes on decisions and advices.
 - If you use Whatsapp as a method of communication, MAKE BACKUPS!!
 - Backup emails.
 - If possible record meetings.

We are living in an increasingly litigious society.....as Executors and Trustees we are in the dangerous position of being between easy money and desperate heirs and beneficiaries. So ALWAYS under promise and over deliver, not the other way round.



“Someone is sitting in the shade today because someone planted a tree a long time ago.” - Warren Buffett

Thank you and Questions