

June 2017
Ask a Trust Officer

Debts and death

DEAR TRUST OFFICER:

What happens to my debts when I die?

—STILL PAYING THE MORTGAGE

DEAR STILL: According to a study by the credit bureau Experian, released in December 2016, some 73% of consumers have debts when they die, including mortgage debt. Some 68% have credit card debt; 37% have mortgage debt; 25% have car loans; 12% have personal loans; and 6% are still paying off student loans. The average total debt at death for these consumers was \$61,554.

That does not mean all these people died virtually bankrupt. The study does not include an assessment of how large the estates were. Most likely, most estates were large enough to retire the debts.

At your death your debts pass to your estate, just as your assets do. Your executor will be responsible for paying off those debts. All debts and taxes must be paid before any inheritance is distributed to your heirs.

If there is not enough cash or life insurance proceeds in the estate to meet the debt and tax obligations, some assets may have to be sold to raise the money. This could include the family home. If there is a mortgage on the house, the heirs may be able to take over the responsibility for paying the mortgage, to avoid a forced sale.

If you should die without any assets at all, your debts die with you. But try not to let that happen.

Do you have a question concerning wealth management or trusts? Send your inquiry to Alan at aspears@firstbankrichmond.com

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