

I Just Inherited Money! Now What Do I Do?

Q.: My mother just died, and I'd rather not deal with my inheritance until I've had time to grieve. My brother is the executor of her estate. Do I have to do anything about my inheritance right away?

A.: Practically speaking, you may not get your inheritance immediately. Assets must be inventoried, debts must be paid, and court approval may be needed. If the estate is large enough to be subject to estate taxes (more than \$338,333 for Ohio and more than \$2,000,000 for the federal government), your brother, as executor, must file an Ohio and/or federal estate tax return, and your share of the tax will typically be taken out of your inheritance. If your brother makes any distributions before the government gets its cut he is responsible personally for any shortfall. For this reason, executors and trustees generally are reluctant to make distributions until after the government has been paid and has issued a "closing letter" releasing them from liability. Both Ohio and federal returns are due nine months after the date of death, but both may be extended. The closing letter typically is issued six months to one year after the return is filed. So, it is entirely possible that you will not receive your money until a year or eighteen months after your mother's death.

Q.: I just inherited a small amount of money from my father. I barely knew him, as he was never involved in my life, and I really don't want his money now that he's gone. Can I refuse the inheritance?

A.: Yes, you can refuse or "disclaim" this inheritance. If you do this, the money will go to whomever it would have gone if you were dead (e.g., your children). If you have children, you may wish to put the money in trust for them rather than disclaim your inheritance.

Q.: My Aunt Mary left me her house when she died. Do I have to pay income taxes on it?

A.: No; most inheritances and gifts are not subject to income taxation, so you do not have to report the gift of a house from Aunt Mary on your income tax return. Upon Aunt Mary's death, the "basis" in the house, typically what Aunt

Mary paid for it, is changed to the fair market value of the house at her death. If you decide to sell the house, you only pay a capital gains tax on the increase in the house's value from the time of her death.

Some inheritances, such as IRAs, 401(k)s, 403(b)s, annuities, U.S. savings bonds and other tax-deferred accounts, are subject to state and federal income taxation, just as they would have been taxable income in the hands of the person who gave it to you. Because you will pay income taxes on gifts such as these at your tax bracket, you should always consult with a knowledgeable tax advisor before you take any distributions from tax-deferred accounts you inherit.

Q.: Once I receive my inheritance, what steps can I take to make sure the money is used as wisely as possible?

A.: Consult with a certified public accountant or a qualified financial planner who can first help you identify your financial goals. Then, you and the advisor can develop an individualized plan for investing and using the money.

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Law You Can Use is a weekly consumer legal information column provided as a public service of the Ohio State Bar Association. This article was prepared by attorney Richard W. Ashley, a partner in the Akron firm of Corzin, Sanislo, Ufholz & Ashley LLC, and of counsel to the Medina firm of Largent, Berry, Preston & Jamison Co., LPA.

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