

Valuing the Estate – Lastingpost.com

Introduction

To calculate the value of a person's estate you need to take all the assets they owned at the time of their death and then deduct everything that they owed. Account also needs to be taken in the calculation of certain assets that they gave away in the seven years before their death.

The valuation will be done by the deceased person's Personal Representatives. This term describes both Executors (where the deceased had a valid Will) and Administrators (where the deceased didn't have a Will and hence died intestate).

Add together all the Assets and deduct the Liabilities

Assets

The value of all assets the deceased owned;

The share of any assets that the deceased owned jointly with someone else;

The value of any assets held in trust, in which the deceased had an interest;

The value of any assets that they gave away, but in which they kept an interest; and

The value of certain assets that the deceased gave away in the last seven years of their life.

Liabilities

The amount outstanding on any mortgages or other loans;

All unpaid bills; and

All funeral expenses.

Checklist of Valuation Documents

The Personal Representatives will need to locate the following valuation documents:

Details of all bank, building society and savings accounts;

Details of credit and debit cards;

Share certificates;

Trust documents;

Documents relating to business interests;

Documents relating to private and state pensions;

Documents relating to other state benefits;

Documents relating to tax and national insurance (a tax rebate may be due);

Insurance policies relating to health, life, home and cars (check if money due from a life policy)

All utility bills;

Any unpaid bills;

Property deeds;

Rent payments;

Mortgage payments; and

Other formal loans (informal loans made by the deceased need not be repaid)

Valuation of Specific Assets

In General

For the purposes of Inheritance Tax, assets are valued using the "open market value" on the date the person died. This represents the realistic selling price of an asset as opposed to the insurance or replacement value.

Personal Chattels

The term personal chattels means all personal belongings of the deceased and includes jewellery, furniture, china, pictures, books, cameras, television, and cars (but not money, investments, property or business assets).

The Personal Representatives will not need to get a professional valuation for the personal chattels and an estimated open market value will suffice.

However, for items worth in excess of £500 a professional valuation may be required. To find a member of the National Association of Valuers and Auctioneers in your area, please go to www.nava.org.uk

Assets held jointly

The person's share in joint property is treated as part of their estate for Inheritance Tax purposes. For assets held as a joint tenancy, all the joint owners have an identical interest in the property. The deceased person's share of an asset will simply be in proportion to the number of joint owners, including the deceased, before the

death. For assets held in tenancy in common, the deceased's share will be determined by the legal document that set up the joint ownership. You should note that this does not apply to bank accounts held in joint names.

Bank Accounts

The value is the amount in the money account plus interest up to the date of death. If the account is shared, then the value is the amount of money provided by the deceased.

Property

The open market value can be used in assessing the value of the deceased's home and also for other land and buildings owned by the deceased. If the property is very straightforward then the Personal Representatives can estimate the value themselves.

In view of the current turbulence in the housing market, it may be appropriate for the Personal Representatives to seek a professional valuation. To find a Chartered Surveyor to help with the valuation, please go to the Royal Institute of Chartered Surveyors' website at www.ricsfirms.com

If however the property includes, for example, a farm, timberland, potential development land etc then a professional valuation should be made.

If the deceased owned a share of a property, the starting point is the value of their share. Unless the property is wholly owned by the surviving spouse or civil partner, the value of the deceased's share can be reduced by 10%.

You may find it helpful to read the separate PDF file called 'Valuing property for probate purposes.'

Business interests and partnerships

Again, the net open market value is used to in assessing the value of business interests and partnerships. The Inland Revenue like business accounts to be prepared at the date of death. The one point to mark up is that assets in the balance sheet will need to be reassessed on an open market value and not on the usual book value basis.

Tracing Forgotten Assets

The Personal Representatives should be aware that it is a common occurrence for investments to be overlooked. This can easily happen especially if the person who has died was elderly and whose affairs were not in order. There are, for example, literally thousands of forgotten bank accounts in the UK with money languishing unclaimed.

The following organisations will help you trace forgotten assets:

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For Bank Accounts contact the British Bankers Association
www.bba.org.uk.

For Building Society Accounts
www.bas.org.uk.

For Insurance Policies contact the Financial Services Authority
www.abi.org.uk.

For National Savings & Investments (including Premium Bonds)
www.nsandi.com.

For Pension Plans
www.thepensionsservice.gov.uk.

For Pensions, Life Policies, Unit Trusts and Share Dividends contact the Unclaimed Assets Register
www.uar.co.uk

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