

Nine Steps to Successfully Administering a Trust Estate



Understanding the Trust Settlement Process

Follow these essential steps to ensure a smooth transition.

[Start Your Journey Today](#)

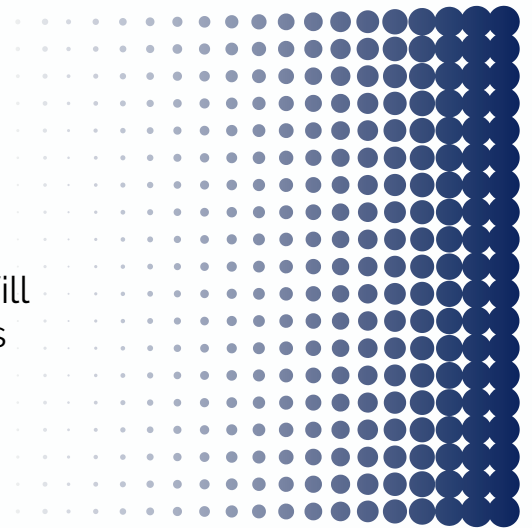
We are here to guide you through each important phase.

Douglas H. McPhail, PLC

— ESTATE PLANNING & ELDER LAW FIRM —

9 Steps to Successful Trust Administration

Upon the death of the trust creator, the trust agreement and Michigan law create important duties for a Successor Trustee. Unlike a Last Will and Testament a trust is settled privately and is not supervised in any way by the court. The following is a brief summary of your duties and what we provide to help you.



Step 1: Acceptance of Responsibility

After the death of the trust's Grantor, all trust agreements require the nominated Successor Trustee to accept or decline, in writing, his or her agreement to carry out the terms of the trust. This step is call "accepting" the trust. The Successor Trustee's responsibilities officially begin on the **Acceptance of Trust** date. Special attention is required if the trust agreement appoints multiple co-Successor Trustees.

Step 2: Trust Certification

Because a trust is administered privately, a Successor Trustee proves his or her authority to act to banks or others through a legal document known as a **Certificate of Trust Existence and Authority**. This document identifies the Successor Trustee along with other important information about the trust and includes a statement of the Successor Trustee's legal powers. This document must be signed and certified by the Successor Trustee or the attorney who represents the deceased Grantor or Successor Trustee. There are two versions of this certificate: A long form version is provided for banking, securities, insurance or other financial transactions; and, a short form version is required to be signed and recorded with the register of deeds to establish authority over trust owned real estate.

Step 3: Notification to trust beneficiaries

Within 63 days of the trust creator's date of death or the Successor Trustee's acceptance of trust, all trust **beneficiaries must be notified in writing** of the trust's existence, the identity of the Successor Trustee, the right of right to receive a copy of the trust agreement and to verify beneficiary information.

Step 4: Notice to Creditors

For all living trusts, the Successor Trustee is required to publish a **Notice to Creditors** in a newspaper of general circulation in the county where the deceased Grantor resided at the time of death. Without publication of this notice the Successor Trustee can be held personally responsible for the debts of the estate, if any. By law, this notice creates a 4 month window in which all claims, if any, must be presented to the Successor Trustee or attorney for the trust estate.

Step 5: Taxpayer Identification

After the trust owner's death, the deceased person's social security number can no longer be used as the taxpayer identification number for the trust estate. For that reason, most trusts need a new taxpayer identification number. We prepare **IRS Form SS4** and **IRS Form W9** and other forms to assure that you have the proper tax identification information for the trust estate. This process allows you to choose whether the trust will report income on a calendar or fiscal year basis. Although most estates are not subject to estate or inheritance taxes, any trust estate that earns more than \$600 after the trust owner's death is required to file a federal and state income tax return using **IRS Form 1041**. Larger estates may be required to file estate and inheritance tax returns.

Step 6: Notification to Banks and Financial Institutions

As soon as practical after the trust owner's death, it is important to notify banks and financial institutions that the trust has a new trustee. Standard practice is to provide each asset custodian with **letters of instruction** to:

- add the Successor Trustee to the asset as the new trustee,
- provide notice of the new TIN and
- to verify the value of the asset on the trust owner's date of death.

Sale or liquidation of assets without a new taxpayer identification number can unnecessarily trigger a reporting of capital gains to the deceased trust owner's estate. Many institutions have unique registration requirements that should be reviewed with assistance of wise counsel to avoid reporting errors or improper income tax reporting.

Step 7: Asset Inventory

The Successor Trustee is required to provide an **Inventory** of all trust assets and values on the trust owner's date of death. In most cases, we can help you get a jump start on the Inventory because we have a pre-existing list of trust assets from when the estate plan was created. In a trust administration the Inventory is not reviewed by any court resulting in a cost savings to the trust beneficiaries.

Step 8: Fiduciary Account

In order to assure that all beneficiaries receive their fair share as provided by the trust, the Successor Trustee is required to provide an **account** for all receipts and disbursements to or from the trust beginning from the date of death to the date the trust is terminated. A proper account limits your liability to trust beneficiaries and assures that all items of income earned after the trust owner's death are properly accounted for and reported to the Internal Revenue Service.

Step 9: Distribution

Once all assets have been accounted for the Successor Trustee provides written notice to beneficiaries with a **proposed distribution** of assets along with the account. This includes documenting any in-kind asset transfers or specific gifts, as well as, identifying proposed cash distributions to the remainder beneficiaries. Assets are distributed when all beneficiaries have approved the proposed distribution.

Not all trust plans make outright distributions so the Successor Trustee may be required to provide ongoing management of trust assets if the plan includes language for the special needs of a beneficiary or other restrictions that delay or limit beneficiary distributions.



Call our firm: **231-799-4994**

The contents of this document is for informational purposes only and is not intended to provide case specific legal advice.

© 2025 Douglas H. McPhail, PLC