

Who pays your debts after you die?

It would be nice to think our debts magically disappear upon death. This is not the case. If you haven't planned, financial debts can have a significant impact on those you leave behind.

The executor of an estate will be responsible for liaising with creditors to repay debts and may need to manage the assets in the estate to do so. Creditors have first right to the assets within the estate to reclaim their money. If there aren't adequate assets then the estate may be declared bankrupt.

Creditors have the right to place an estate into bankruptcy if adequate measures have not been implemented to repay debts, and can liquidate any assets held as security over those debts.

Can family members be liable?

A family member or related party of a deceased person can only be forced to repay debt if they:

- own an asset that was used as security on debt obtained by the deceased (eg. business debt secured against a family home);
- were a joint borrower on debt with the deceased (eg. couple borrow to buy a family home);
- have provided a guarantee over a loan for the deceased (eg. parents being guarantor for their child to purchase a home).



Pay-out debts after death

Leaving specific assets that you still owe money on to a beneficiary through your estate requires you to make arrangements to have that debt paid out upon your death – unless the beneficiary can repay the debt owing on that asset.

Business debts, including those that are obtained jointly by business partners, or debts that have personal assets held as security, can create complicated estate issues. These need to be addressed in your will to ensure the continuity of the business and that the remaining partners or family members are not financially affected.

Seek professional advice

Estate planning is complex, it requires planning to ensure loved ones and others are not financially impacted after your death. It is important to include professionals in these matters. Your solicitor and Fiducian financial adviser can guide you on the right path so that your estate planning needs are met and adequate measures are put in place to ensure security.