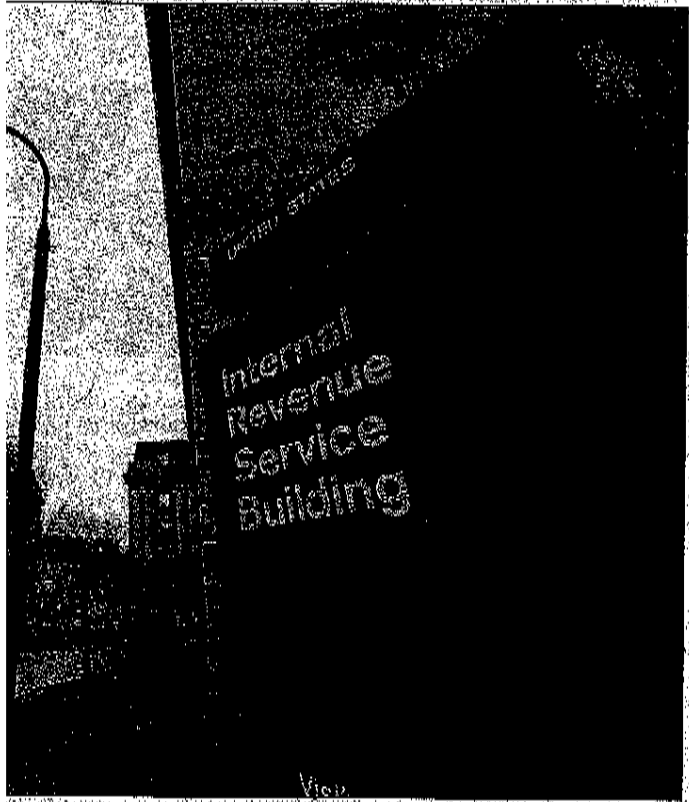


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and burial expenses, says Los Angeles estate planning attorney Andrew Steenbock.

Next in line typically are medical bills from the final illness and the dead person's last tax bill. Then other creditors are paid from what's left, if anything. Only after creditors are paid can any remaining assets be distributed according to the will, trust or state law if there are no estate planning documents. If the estate is insolvent — with more debt than assets to pay those debts — then heirs typically get nothing and the creditors are paid a proportionate amount of whatever assets are available.

Things can get more complicated if there is a surviving spouse or co-signer, since debt that's jointly owed would become the survivor's problem.

Ignoring these rules can have serious repercussions for the executor, who can become personally liable for mistakes made in settling an estate. If your neighbor's executor ignores state law and distributes assets to heirs before paying off creditors, for example, the creditors could sue the executor. That's a pretty powerful incentive for learning and obeying those rules.

Liz Weston, certified financial planner, is a personal finance columnist for NerdWallet. Questions may be sent to her at 3940 Laurel Canyon, No. 238, Studio City, CA 91604, or by using the "Contact" form at asklizweston.com. Distributed by No More Red Inc.

du. The creditor will send you (and the IRS) a Form 1099-C re income taxes on that amount unless you're insolvent.

1- www.nacba.org. Discuss your situation and your options before you decide how to proceed.

Your debt lives on even after you die

Dear Liz: I live in a senior building and we had a discussion about our debt after we pass away. I said, "If we have any money in our estate, that will pay it off." One woman who lives here claims that all you have to do is send in a copy of a death certificate and that will get rid of any debt. Hope

you can settle this for us.

Answer: Debt doesn't just disappear when someone dies. Whether and what creditors get paid, though, depends on a lot of factors.

After someone dies, the executor of the estate (or the personal representative, if the deceased had a living trust) is supposed to notify creditors of the death.

The first bills to be paid usually are the costs of administering the estate, followed by secured debt, such as mortgages, liens and so on, then the funeral

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