ST. LOUIS GUIDE TO

TRUST ADMINISTRATION

A Plain-English Guide for Successor Trustees

Managing the Trust, Protecting Beneficiaries, Closing with Confidence

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Introduction: Before You Begin

You've been named as successor trustee. It may have happened years ago, when your loved one first set up their trust — a quiet acknowledgment of trust in you that you may not have thought about much since. Now the moment has arrived, and along with the grief of losing someone important comes a new set of responsibilities you may not feel entirely prepared for.

That's exactly why this guide exists.

I'm Terry Peterson — a Certified Probate Expert, Senior Real Estate Specialist, and founder of St. Louis Family Resources. For more than 20 years I've helped St. Louis families navigate the intersection of loss, real estate, and financial complexity. I've worked alongside successor trustees managing everything from straightforward single-property trusts to multi-asset estates with family dynamics that required patience, skill, and diplomacy.

This guide focuses on what successor trustees most need to understand: your authority, your duties, the practical steps to administer the trust, and — because real estate is almost always the most complex and highest-value asset — a comprehensive walkthrough of selling trust-owned property.

IMPORTANT This guide is an educational resource written from the perspective of a real estate professional. It is not legal advice. Trust administration is a legally defined process under Missouri law, and the specific terms of your trust document control what you can and cannot do. Please work with a qualified Missouri trust attorney for guidance specific to your situation.

Read the sections that are most relevant to where you are right now. Come back to the rest as the process unfolds. And whenever you have questions about the real estate — or simply need a trusted resource — I'm here.

PART ONE

Understanding the Trust at Death

What changed — and what you're now responsible for

CHAPTER 1

What a Revocable Trust Becomes at Death

Most of the trusts you'll encounter as a successor trustee are **revocable living trusts** — documents created during the grantor's lifetime that could be changed, amended, or revoked at any time. The trust's primary purpose was typically to avoid probate and provide a smooth, private transfer of assets at death.

When the grantor dies, everything about the trust changes:

The trust becomes irrevocable

No further changes can be made to its terms. The document is now fixed — it says what it says, and your job is to carry out those instructions faithfully.

The trust becomes a separate tax entity

A new Employer Identification Number (EIN) must be obtained from the IRS. The trust will file its own tax returns for any income earned after the date of death.

The successor trustee steps into authority

You now have the legal power to act on behalf of the trust — managing assets, selling property, paying debts, and distributing to beneficiaries — subject to the trust's terms and Missouri law.

Beneficiaries' interests become vested

Beneficiaries named in the trust now have a legal right to receive what the trust specifies. Your duty runs to them.

The Critical Question: Is the Property Actually in the Trust?

One of the first things to verify is whether assets are actually titled in the name of the trust. A trust only controls what was legally placed into it. A trust document that says 'I give all my real estate to my beneficiaries' is not enough — the deed to each property must have been recorded in the trust's name before death.

Proper vesting looks like:

"John Smith, Trustee of the John Smith Revocable Trust dated January 1, 2010"

If assets weren't properly titled into the trust, they may need to go through probate — a significant complication. A title search on real estate, and a review of financial account ownership, will reveal this quickly. Your trust attorney can advise on the remedies available.

IMPORTANT Trust funding — the process of re-titling assets into the trust — is the step many estate planners complete but many families never follow through on. If you discover that property wasn't properly titled, don't panic. There are legal solutions, but they take time and require an attorney. Identify this early.

CHAPTER 2

Your Authority as Successor Trustee

As successor trustee, you have broad authority to act on behalf of the trust — but that authority comes with constraints. Understanding what you *can* do, what you *cannot* do, and what requires co-trustee or beneficiary agreement is foundational to administering the trust correctly.

What You Can Do

- Sign listing agreements, purchase contracts, and closing documents for trust real estate
- Open and manage trust bank accounts
- Invest trust assets prudently
- Pay trust debts, expenses, and taxes
- Hire attorneys, accountants, real estate agents, and other professionals
- Distribute trust assets to beneficiaries as the trust directs
- Execute deeds and other legal instruments on behalf of the trust

What You Cannot Do

- Change the terms of the trust — it became irrevocable at death
- Favor some beneficiaries over others unless the trust specifically allows it
- Commingle trust funds with your personal funds
- Use trust assets for your own personal benefit (other than authorized trustee compensation)
- Act outside the scope of what the trust document authorizes
- Make decisions that benefit you at the expense of the beneficiaries

Co-Trustee Situations

If the trust names two or more successor trustees, review the trust document carefully to understand whether both must act together or whether either can act independently. 'Co-trustees must act jointly' means both signatures are required on contracts, deeds, and financial transactions. 'Either trustee may act alone' means either can act independently. This distinction matters enormously in practice — particularly for real estate transactions.

The Certificate of Trust

You will frequently be asked to prove your authority to third parties — banks, title companies, real estate agents, and government agencies. You generally do not need to provide the entire trust document. Instead, you provide a **Certificate of Trust** (also called an Affidavit of Trust) — a shorter summary document that confirms the trust's existence, your authority, and relevant details without disclosing the private distribution provisions.

Your trust attorney can prepare this document, or you can often use the certification provisions included in Missouri's trust law. Title companies will request this before any real estate transaction can close.

> **TIP** Keep several certified copies of the Certificate of Trust available. You'll use it more often than you expect — with every bank, brokerage, title company, and government agency you interact with.

CHAPTER 3

Trust Administration vs. Probate — Key Differences

Understanding how trust administration differs from probate helps you set accurate expectations — for yourself, for family members, and for the beneficiaries who are wondering what happens next.

	TRUST ADMINISTRATION	PROBATE
Court involvement	None (typically)	Required — court supervises
Privacy	Private — not public record	Public record
Timeline	3–12 months typical	6 months minimum; often 1–2 years
Cost	Generally lower	Attorney fees + court costs
Creditor notice	Shorter notice period	Missouri requires 6-month publication
Real estate sale	Trustee has direct authority*	May require court approval
Attorney required?	Recommended; not always required	Required for PR in Missouri courts
Out-of-state property	May still need ancillary probate	Always requires ancillary probate

** Except where the trust document requires beneficiary consent or other specific conditions.*

The primary advantage of trust administration over probate is time and privacy. Because there's no court process, a well-administered trust can typically be wound down and distributed in months rather than years — and the distribution terms remain private, which is often important to families.

The primary risk is that trust administration, without court oversight, relies on the trustee acting correctly and honestly. There is no judge reviewing your decisions. This is why the fiduciary standard — covered in Chapter 4 — is so important.

CHAPTER 4

Your Fiduciary Duty in Plain English

The term 'fiduciary' can sound intimidating, but it describes something straightforward: you are legally required to act in the best interests of the trust's beneficiaries — not your own interests, not the interests of one beneficiary at another's expense, but in the collective best interest of all who are entitled to receive from the trust.

Missouri's Uniform Trust Code (RSMo Chapter 456) governs the duties of trustees. The standard is that of a 'prudent person' — someone who acts with reasonable care, skill, and caution.

Duty of Loyalty

Every decision you make as trustee must be made in the interests of the beneficiaries. Conflicts of interest — situations where your personal interests might conflict with theirs — must be avoided or disclosed and consented to.

Duty of Prudence

Invest and manage trust assets as a prudent investor would. This means diversification, appropriate risk management, and avoiding speculative decisions with trust funds.

Duty of Impartiality

If the trust has both current beneficiaries (who receive income now) and remainder beneficiaries (who receive principal later), you must balance their competing interests fairly. Don't sacrifice one for the other.

Duty to Inform and Account

Beneficiaries are entitled to know what you're doing with their trust. Missouri law requires trustees to provide regular accountings and to respond to reasonable information requests. Keep detailed records of every decision, every transaction, and every distribution.

Duty to Keep Assets Separate

Never commingle trust assets with your personal assets. Maintain a dedicated trust bank account, and route all trust income and expenses through it.

Duty to Administer Promptly

Trusts should be administered and closed in a reasonable time. Unnecessary delays can expose you to claims from beneficiaries. Have a plan and execute it.

IMPORTANT If you are also a beneficiary of the trust — which is common — you are still held to the full fiduciary standard for your actions as trustee. The fact that you will personally benefit from a higher sale price doesn't mean you can ignore other beneficiaries' interests in timing, preparation, or pricing. Document your decision-making process carefully.

PART TWO

Your First Steps

Building the foundation for everything that follows

CHAPTER 5

The First Week — Immediate Priorities

The first week after the grantor's death is a time of grief and administrative beginnings. You don't need to have everything figured out — but a few actions in the first days will set the foundation for everything that follows.

Immediate Actions

- **Locate the trust document** and all amendments. Read it — all of it — before taking any action. The trust controls what you can do, and you need to understand its terms before proceeding
- **Secure any real estate** — change the locks, verify insurance covers the property, arrange lawn maintenance if the home will be vacant. Vacant homes are vulnerable
- **Notify the trust attorney** — if the grantor had an estate planning attorney, contact them immediately. They will have a copy of the trust and can guide your first steps
- **Order certified death certificates** — you will need 8–12 copies. The funeral home can provide these. Every financial institution, government agency, and title company you deal with will want one
- **Secure and list all trust assets** — begin inventorying what the trust owns: real estate, financial accounts, vehicles, business interests, personal property. The mail is a valuable source — continue monitoring it
- **Do not distribute anything yet** — even if the trust terms seem clear, wait until you have legal authority established and a full picture of trust assets and liabilities
- Notify close family members of your role as successor trustee

What Can Wait

Not everything needs to happen in the first week. The following are important but not day-one urgent: obtaining the trust's EIN from the IRS, opening the trust bank account, contacting beneficiaries with a formal update, and hiring professionals. These are first-month tasks. Focus the first week on securing assets and locating documents.

> **IMPORTANT** The trust document is your operating manual. Before you sign anything, transfer anything, or tell beneficiaries anything definitive — read the trust. If any provision is unclear, ask the trust attorney before acting. Acting outside the trust's terms — even with good intentions — can expose you to personal liability.

CHAPTER 6

Establishing Your Authority

Before you can take meaningful action on behalf of the trust, you need to formally establish your authority with the financial institutions, government agencies, and other parties you'll be dealing with. This process typically takes the first month.

Obtain the Trust's EIN

When the grantor was alive, the revocable trust used the grantor's Social Security number for tax purposes. At death, the trust becomes its own tax entity and requires a separate **Employer Identification Number (EIN)** from the IRS. Apply online at irs.gov — it takes minutes and you receive the EIN immediately. You'll need this number to open the trust bank account and for all tax filings.

Open the Trust Bank Account

Open a dedicated checking account in the name of the trust — titled something like 'John Smith Revocable Trust, [Your Name] Successor Trustee.' Bring the trust's EIN, the Certificate of Trust, a certified death certificate, and your photo ID. All trust income and expenses should flow through this account. Never comingle personal funds.

Prepare Your Certificate of Trust

Work with the trust attorney to prepare a Certificate of Trust. This document summarizes your authority without disclosing the trust's private distribution provisions. You'll present it to banks, title companies, and any other party requiring proof of your authority. Keep multiple certified copies.

Key Notifications to Send

Social Security Administration

Notify SSA of the grantor's death. If the grantor was receiving benefits, payments after the death date must be returned.

Financial Institutions

Present the Certificate of Trust and death certificate to each bank and brokerage holding trust assets. Re-title accounts to reflect your role as successor trustee.

Real Estate Insurance

Notify the homeowner's insurance company. If the property will be vacant, obtain a vacant property endorsement — standard policies often exclude vacant properties.

Mortgage Servicer

If trust real estate has an outstanding mortgage, notify the servicer of the trustee change.

Beneficiaries

Missouri's Uniform Trust Code requires trustees to notify qualified beneficiaries within a reasonable time after accepting the trustee role. Your attorney can advise on the specific notice requirements.

> **TIP** Set up a dedicated filing system from day one — separate folders for legal documents, financial accounts, real estate, creditors/debts, beneficiary communications, and receipts/expenses. Courts don't supervise trust administration, which means your records are your only protection if a beneficiary later questions your actions.

CHAPTER 7

Taking Inventory of Trust Assets

A complete, accurate inventory of trust assets is the foundation of everything that follows — distributions, tax returns, beneficiary accountings, and final settlement. Missouri law requires trustees to account to beneficiaries, and that accounting starts with a thorough inventory.

Categories to Inventory

Real Estate

For every property, document: address, legal description, current title vesting (confirm it's in the trust), any mortgages or liens, approximate value, insurance coverage, and current condition. Order a formal appraisal for each property as of the date of death — this establishes both the estate inventory value and the step-up in basis for tax purposes.

Financial Accounts

Bank accounts, investment accounts, brokerage accounts, CDs, and money market accounts titled in the trust. Obtain date-of-death balances from each institution.

Retirement Accounts and Life Insurance

Important: IRAs, 401(k)s, and life insurance policies with named beneficiaries are NOT trust assets unless the trust is named as beneficiary. These transfer directly to the named beneficiary regardless of what the trust says. Identify these early to avoid confusion.

Vehicles and Personal Property

Vehicles titled in the trust name, collectibles, jewelry, art, and other valuables. For high-value items, obtain professional appraisals. Group lower-value household items into categories rather than cataloging every individual item.

Business Interests

If the trust owns a partial or full interest in a business, this requires specialized valuation. Retain a business appraiser.

Digital Assets

Online financial accounts, cryptocurrency wallets, and valuable digital property. Check the grantor's email for financial statements — it's often the most complete roadmap of what exists online.

Free Search Resources

- **Missouri unclaimed property** — treasurer.mo.gov — forgotten accounts and uncashed checks
- **NAIC Life Insurance Locator** — naic.org — free search for life insurance policies
- **MIB Group** — mib.com — covers approximately 99% of individual life insurance policies
- **PBGC** — pbgc.gov — unclaimed pension benefits from terminated employer plans
- **IRS Form 4506** — request the grantor's last 3–5 years of tax returns to identify income sources

TIP Obtain a date-of-death appraisal for real estate as soon as reasonably possible. While a retrospective appraisal can be done later, it becomes more difficult to defend over time. The date-of-death value establishes both the trust inventory and the step-up in basis that can save beneficiaries significantly in capital gains taxes.

PART THREE

Real Estate in the Trust

The 10-step process from authority to closing

CHAPTER 8

The 10-Step Trust Property Sale Process

Real estate is almost always the most complex and highest-value asset in a trust. Selling it correctly — with proper authority, accurate documentation, and sound strategy — protects the trustee and maximizes value for beneficiaries. Here is the complete process from beginning to close.

STEP 1 Confirm Trustee Authority

The successor trustee is the *only* party legally authorized to sign on behalf of the trust. Confirm: Who is named? Are there co-trustees? Does the trust require both to sign?

Only the trustee(s) may sign listing agreements, execute purchase contracts, and sign closing documents. Beneficiaries do not sign unless they are also named trustees.

STEP 2 Verify Title

Before listing, confirm that title is actually held in the trust's name. Run a title search — we do this before every listing.

Proper vesting: *"John Smith, Trustee of the John Smith Revocable Trust dated January 1, 2010"*

If the property is NOT properly titled: additional legal steps are required before proceeding. Your attorney will advise on the path forward.

STEP 3 Establish Date-of-Death Value

Obtain a formal appraisal dated as of the date of death. This establishes both the trust inventory value for accounting purposes and the stepped-up basis for capital gains tax purposes.

A CPA should be consulted to confirm documentation requirements. This step directly impacts how much — or how little — tax beneficiaries will owe when the property sells.

STEP 4 Evaluate the Property's Condition

Once authority and tax considerations are in place, assess the property itself. The trustee's fiduciary duty requires making reasonable decisions about preparation and pricing that serve *all* beneficiaries fairly.

Three strategic paths are available: As-Is, Light Preparation, and Strategic Renovation. See Chapter 9 for a full analysis of each option.

STEP 5 Handle Personal Property

Trust properties often contain decades of personal belongings that must be addressed before listing. Trustees should: determine what beneficiaries wish to retain, document all distribution agreements in writing, and arrange estate sale services or cleanout for the remainder.

Written agreement among beneficiaries before the estate sale or cleanout begins prevents disputes. This is one of the most common sources of family conflict in trust administration — and the most preventable.

STEP 6 Manage Trust Finances

If not already established, open the trust bank account now. All sale proceeds must be deposited into the trust account — never into personal accounts. From the trust account, pay: property taxes, ongoing maintenance, agent commissions, mortgage payoff if applicable, and other trust expenses.

STEP 7 Complete Pre-Listing Preparation

Before signing a listing agreement, confirm: trustee authority is documented, title is verified, date-of-death valuation strategy is in place, insurance covers the vacant property, utilities are managed, and property disclosures are completed. See Chapter 10 for the full pre-listing checklist.

STEP 8 List and Market the Property

The listing agreement is signed: *"[Trustee Name], Successor Trustee of the [Trust Name] dated [Trust Date]."*

A comprehensive marketing strategy — professional photography, MLS listing, digital advertising, open houses, and agent network outreach — creates buyer competition that drives price. Your agent should present a specific marketing plan tailored to the property's condition and the trust's timeline.

STEP 9 Review Offers and Execute the Sale

The trustee reviews all offers. The duty is to act reasonably and in the best interest of all beneficiaries — not just the most vocal ones. Consider price, terms, contingencies, buyer financing quality, and timeline.

Once an acceptable offer is received, the trustee signs the purchase agreement on behalf of the trust. The contract should include any contingencies for court approval if required by the trust terms.

STEP 10 Close and Distribute Proceeds

At closing: the trustee signs all documents on behalf of the trust, proceeds are wired to the trust account, and the settlement statement reflects the trust as seller.

After closing: pay final expenses and obligations, prepare accounting, distribute remaining proceeds according to the trust's terms, and obtain signed receipts from beneficiaries.

NOTE The total timeline from decision to closing for a well-prepared trust property sale is typically 45–60 days: 1–2 weeks preparation, 2–3 weeks on market, and 30 days to close. Poorly prepared properties or those with title issues can take significantly longer.

CHAPTER 9

Three Strategies for Preparing the Property

One of the most consequential decisions a trustee makes is how to prepare the property before listing. The right strategy depends on the trust's timeline, the property's condition, the beneficiaries' financial situation, and current market conditions. Here is an honest comparison of your three options.

Option 1 — Sell As-Is	
Best for:	Significant condition issues; estate needs quick resolution; beneficiaries aligned on speed over price; property requires major work that isn't worth funding
Price:	Below market — buyers factor in repair costs and investor profit margin. Discount varies widely by condition
Buyers:	Primarily investors and cash buyers
Timeline:	Fastest — can close in as little as 2–3 weeks with a cash buyer
Trustee risk:	Lowest preparation burden, but trustee must document the decision to accept a below-market price to protect against beneficiary claims

Option 2 — Light Preparation	
Best for:	Properties in generally livable condition; moderate budget and time available; trustee wants broader buyer pool without major renovation risk
Includes:	Remove contents, deep clean, minor cosmetic updates (paint, minor repairs), curb appeal
Price:	Meaningfully higher than as-is for modest investment — often the best return-on-effort of the three options
Buyers:	Both owner-occupants and investors; financed and cash
Timeline:	2–4 weeks on market for well-priced homes

Option 3 — Strategic Renovation	
Best for:	Strong bones, desirable location, market supports premium pricing; beneficiaries aligned on timeline and investment

Includes:	Kitchen and bath updates, flooring, exterior improvements — targeted to highest return
Price:	Highest potential of the three, when the strategy is well-executed
Risk:	Highest — renovation projects run over budget and over schedule; market can shift during preparation
Timeline:	Longest — 4–12 weeks preparation plus market and closing time

TIP The fiduciary standard requires that you make a reasonable, documented decision — not necessarily the perfect one. Whatever strategy you choose, document why you chose it: what alternatives you considered, what market information you had, and why the chosen approach served the beneficiaries' interests. That paper trail is your protection.

CHAPTER 10

Personal Property, Disclosures & the Pre-Listing Checklist

Handling Personal Property

Trust properties often contain years or decades of personal belongings. The trustee is responsible for managing this process fairly and transparently. Best practices:

- Give beneficiaries a reasonable opportunity to identify items they want to retain before the estate sale or cleanout — document all agreements in writing
- Use a professional estate sale company for remaining items — they handle pricing, marketing, and the sale; often this also satisfies inventory and appraisal requirements
- For items with potential significant value (art, jewelry, collectibles), obtain independent appraisals before distributing or selling
- Arrange donation or junk removal for items that don't sell
- Document all distributions of personal property with a written list signed by the recipient

> **IMPORTANT** Disagreements over personal property are the most common source of family conflict in trust administration — and the most preventable. Get agreements in writing before the first item leaves the home.

Missouri Property Disclosures

Missouri law requires sellers to disclose known material defects even in trust sales. As successor trustee, you disclose based on your own knowledge of the property — you are not expected to have perfect knowledge of every condition. Where you genuinely don't know, indicate 'unknown' rather than guessing. Work with your real estate agent and attorney on proper disclosure completion.

Pre-Listing Checklist

Before signing a listing agreement, confirm each item:

- ■ Trustee authority confirmed and Certificate of Trust prepared
- ■ Title search completed — property confirmed in trust name
- ■ Date-of-death appraisal obtained and documented
- ■ Insurance coverage confirmed — vacant property endorsement if needed

- ■ Utilities transferred to trust account or otherwise managed
- ■ Personal property addressed — estate sale complete or scheduled
- ■ Known defects and condition issues documented for disclosure
- ■ Beneficiaries informed of listing strategy and approximate timeline
- ■ Preparation strategy selected (As-Is / Light Prep / Renovation)
- ■ Agent hired with trust/estate experience
- ■ Marketing plan reviewed and approved

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PART FOUR

Tax Considerations

The financial decisions that protect beneficiaries

CHAPTER 11

Step-Up in Basis — The Most Important Tax Concept

Of all the tax concepts relevant to trust administration, the step-up in basis is the one most likely to significantly affect the beneficiaries' financial outcome — and the one most often overlooked or mishandled. Understanding it, and documenting it properly, is one of the highest-value things you can do as trustee.

What Is Basis?

A property's *tax basis* is essentially what was paid for it, adjusted over time for improvements and depreciation. When property is sold, capital gains tax is calculated on the difference between the sale price and the basis. A higher basis means lower taxable gain and less tax owed.

The Step-Up Rule at Death

When a revocable living trust becomes irrevocable at the grantor's death, most assets held in the trust receive a **step-up in tax basis** to their fair market value on the date of death. Decades of accumulated appreciation can effectively disappear for tax purposes — replaced by a new, higher basis.

	Amount
Original purchase price (30 years ago)	$90,000
Fair market value at date of death	$350,000
New stepped-up basis	$350,000
Sale price two months after death	$360,000
Taxable gain WITH step-up	$10,000
Taxable gain WITHOUT step-up	**$270,000**
Tax saved at 15% federal rate	**Approximately $39,000**

Missouri vs. Community Property States

Missouri is not a community property state. For assets owned jointly (such as by a married couple's trust), the step-up typically applies to the decedent's share of the asset — not the full value. This is different from community property states, where both halves often receive a step-up.

For assets owned solely by the grantor (individually titled in their trust), the full value receives the step-up. Your CPA should analyze each asset individually.

Documenting the Step-Up

To establish the stepped-up basis, you need a professional appraisal dated *as of the date of death*. For real estate, this means a licensed Missouri appraiser providing a formal written appraisal with that effective date. For financial accounts, institutions can provide date-of-death balances. For other assets (business interests, collectibles), qualified appraisers are required.

The documentation must be tied to the date of death to be valid. While retrospective appraisals are possible, they become harder to support over time. Obtain appraisals in the first few months of trust administration.

TIP The step-up in basis is why selling trust real estate shortly after death often produces little or no capital gains tax — even on properties that appreciated dramatically over decades. Beneficiaries who understand this often choose to sell sooner rather than later, before additional appreciation accumulates above the stepped-up value.

CHAPTER 12

Trust Tax Returns and the Grantor's Final Return

When you accept the successor trustee role, you inherit certain tax responsibilities. Understanding what filings are required — and when — prevents penalties and protects the trust.

The Grantor's Final Personal Income Tax Return

A final Form 1040 must be filed for the grantor covering January 1 through the date of death. The due date is April 15 of the following year, with the standard six-month extension available. If the grantor hadn't yet filed the prior year's return, that may also be due simultaneously. File as the personal representative or successor trustee, signing 'as trustee.' Work with the grantor's CPA — they'll have the prior year's return and background information needed.

The Trust's Income Tax Return (Form 1041)

Once the trust becomes irrevocable at death, it is a separate taxpayer. Any income earned by trust assets after the date of death must be reported on Form 1041 (U.S. Income Tax Return for Estates and Trusts). This return is required for any tax year in which the trust earns more than $600 in income. Due date: April 15 annually, with extensions available. Unlike individuals, trusts can elect a fiscal year — useful for managing the timing of income and deductions. Consult your CPA about whether a fiscal year election makes sense.

State Tax Filings

Missouri does not impose a state inheritance or estate tax. For income earned by trust assets in Missouri, the trust may also be required to file Missouri Form MO-1041. Your CPA can confirm state filing requirements for your specific situation.

Capital Gains from Asset Sales

When trust real estate or other appreciated assets are sold, capital gains are reported on Form 1041 (or passed through to beneficiaries via Schedule K-1 if the trust is a pass-through entity). The stepped-up basis established at death dramatically reduces these gains in most cases.

Final Trust Return

When the trust is fully distributed and closed, a final Form 1041 is filed — marked 'Final Return.' This signals to the IRS that the trust entity is terminated. All remaining income and deductions are reported, and any tax due is paid before final distribution.

IMPORTANT Tax filings for trusts are more complex than personal returns. Retain a CPA with trust and estate experience — not just a general tax preparer. The cost is modest relative to the mistakes it prevents, and the fiduciary exposure of a missed filing is real.

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PART FIVE

Distributions and Closing the Trust

The final chapter of your administration

CHAPTER 13

Reading and Understanding Distribution Terms

Before you can distribute anything, you need to understand exactly what the trust says about distribution. Trust documents vary enormously — from simple ('divide equally among my three children at death') to complex ('hold in trust for my grandchildren until age 25, with discretionary distributions for health and education'). The trust document controls, and misreading it can create serious liability.

Common Distribution Structures

Outright Distribution at Death

All assets distributed to named beneficiaries immediately (or after debts are paid). Most common for straightforward family trusts. Your role ends relatively quickly once assets are liquidated and distributed.

Specific Bequests

Particular items or amounts given to specific people ('my jewelry to my daughter, $10,000 to my church'). These are distributed first, before the residual estate is divided. Important: if the item no longer exists, the bequest generally fails — you cannot substitute an equivalent.

Percentage Distributions

The remaining trust assets divided by percentage among beneficiaries ('60% to my son, 40% to my daughter'). Straightforward mathematically; make sure you're working from the correct net figure after expenses.

Staggered Distributions

Some trusts delay distributions — 'pay out at ages 25, 30, and 35' or 'hold until youngest child reaches 21.' These ongoing administration responsibilities extend the trust's life significantly.

Discretionary Distributions

Trustee has ongoing authority to make distributions for beneficiaries' health, education, maintenance, and support (HEMS). This requires ongoing judgment calls and careful documentation of each distribution decision.

IMPORTANT If you are uncertain about how to interpret any distribution provision, ask your trust attorney before making any distribution. A distribution made to the wrong person, in the wrong amount, or at the wrong time is a breach of fiduciary duty — and you may be personally liable for the shortfall.

CHAPTER 14

Making Distributions to Beneficiaries

Once debts are paid, taxes are settled, and you have a clear picture of the net trust assets, you're ready to distribute. A systematic process protects both the beneficiaries and you.

Confirm all debts and expenses are settled

Don't distribute until you're confident there are no outstanding liabilities. Reserve a reasonable buffer for final expenses — attorney fees, CPA fees, any lingering costs — before making final distributions.

Obtain final tax clearance

Confirm with your CPA that all required tax returns have been filed and any taxes owed have been paid. Distributing before taxes are settled can leave you personally liable for the shortfall.

Prepare a distribution schedule

Document exactly what each beneficiary is entitled to receive, the basis for that calculation, and the form of distribution (cash, property transfer, securities transfer).

Execute distributions

For cash: wire transfer or check with documentation. For real estate: deed transfer recorded with the county. For securities: transfer through the brokerage. For personal property: written receipt signed by recipient.

Obtain signed receipts

Every beneficiary should sign an acknowledgment of receipt describing what they received. This is your strongest protection against future claims.

Issue Schedule K-1 forms

If the trust had taxable income during the year of distribution, beneficiaries receiving distributions may need Schedule K-1 forms showing their share of trust income. Your CPA handles this as part of the final Form 1041.

> **IMPORTANT** A common mistake: distributing all trust assets before the final tax return is filed, leaving no funds to pay any tax that comes due. Always retain sufficient funds in the trust account to cover the final tax liability — even if it means a slightly delayed final distribution.

CHAPTER 15

Final Accounting and Closing the Trust

The final step in your administration is preparing a complete accounting of the trust's activity — every asset received, every expense paid, every distribution made — and presenting it to the beneficiaries. This accounting is your formal record of how you fulfilled your duties as trustee.

What the Final Accounting Covers

- Opening trust inventory — all assets at the date of death with values
- All income received during administration
- All expenses paid (taxes, professional fees, maintenance, insurance, commissions)
- All distributions made, to whom, and on what date
- Final balance — which should be zero when the accounting is complete

Beneficiary Review and Approval

Present the final accounting to all beneficiaries and give them a reasonable time to review it. If all beneficiaries approve — ideally in a signed written consent — this approval protects you from future claims related to your administration. Missouri's Uniform Trust Code provides specific procedures for trustee releases; your attorney can advise on the appropriate form.

Closing Steps

- File the final Form 1041 marked 'Final Return'
- Pay any remaining taxes from the trust account
- Make final distributions of any remaining trust funds
- Obtain signed receipts from all beneficiaries
- Close the trust bank account
- Retain all trust administration records for at least seven years — longer if there are any unresolved issues

TIP Your administration is not complete until the final accounting is approved and all distributions are made with signed receipts. Until that moment, your fiduciary duties continue. Resist the urge to wrap up too quickly — a clean close is worth the extra weeks it takes to do it right.

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PART APPENDIX

Successor Trustee Master Checklist

Work through this at your own pace — nothing here requires same-day action

This checklist is organized by phase of administration. PR = Professional Recommendation.

FIRST WEEK	RESPONSIBILITY
■ Locate the trust document and all amendments — read completely before acting	Trustee
■ Locate and secure all real estate — change locks, verify insurance	Trustee
■ Contact the grantor's trust attorney	Trustee
■ Order 8–12 certified death certificates	Trustee
■ Begin inventorying trust assets — real estate, accounts, valuables	Trustee
■ Monitor incoming mail for financial statements and notices	Trustee
■ Do not distribute or transfer any assets yet	Trustee

FIRST MONTH	RESPONSIBILITY
■ Obtain trust EIN from IRS (irs.gov — free, immediate)	Trustee
■ Open dedicated trust bank account	Trustee
■ Prepare Certificate of Trust with attorney	Attorney
■ Notify Social Security Administration	Trustee
■ Notify financial institutions — re-title accounts to successor trustee	Trustee
■ Notify homeowner's insurer — add vacant property endorsement if needed	Trustee
■ Notify mortgage servicer if applicable	Trustee
■ Send formal notice to beneficiaries of your role as successor trustee	Attorney
■ Hire CPA with trust experience	Trustee
■ Order date-of-death appraisal for all real estate	Trustee/Agent
■ Search Missouri unclaimed property database (treasurer.mo.gov)	Trustee
■ Search NAIC life insurance database (naic.org)	Trustee
■ Request grantor's last 3–5 years of tax returns from CPA or IRS	Trustee/CPA

TAX FILINGS	RESPONSIBILITY
■ File grantor's final Form 1040 (April 15, year after death)	CPA
■ Confirm whether prior year return is also needed	CPA
■ File Form 1041 for trust income earned after date of death	CPA
■ Consider fiscal year election for Form 1041	CPA
■ Document stepped-up basis for all appreciated assets	CPA/Appraiser

REAL ESTATE SALE	RESPONSIBILITY
■ Confirm trustee authority and co-trustee signing requirements	Attorney
■ Run title search — verify property is titled in trust name	Title Co./Agent
■ Confirm date-of-death appraisal obtained and documented	Trustee
■ Confirm insurance — vacant policy if needed	Trustee
■ Address personal property — estate sale or cleanout scheduled	Trustee
■ Complete property disclosures	Trustee/Agent
■ Inform beneficiaries of sale strategy and timeline	Trustee
■ Select preparation strategy: As-Is / Light Prep / Renovation	Trustee/Agent
■ Sign listing agreement as Successor Trustee	Trustee
■ Review and accept purchase offer on behalf of trust	Trustee
■ Sign closing documents as Successor Trustee	Trustee
■ Deposit sale proceeds into trust account	Trustee

DISTRIBUTIONS AND CLOSE	RESPONSIBILITY
■ Confirm all debts and trust expenses are settled	Trustee/Attorney
■ Confirm all tax returns filed and taxes paid	CPA
■ Prepare distribution schedule per trust terms	Attorney
■ Execute distributions — cash, deeds, securities, personal property	Trustee
■ Obtain signed receipts from all beneficiaries	Trustee
■ Issue Schedule K-1 forms if applicable	CPA
■ File final Form 1041 marked 'Final Return'	CPA
■ Close trust bank account	Trustee
■ Obtain beneficiary approval of final accounting	Attorney
■ Retain all records for minimum 7 years	Trustee

Glossary of Trust Administration Terms

Beneficiary	A person or entity entitled to receive assets from a trust, either as a current income beneficiary or a remainder beneficiary.
Certificate of Trust	A summary document confirming the trust's existence, the trustee's authority, and key terms — without disclosing private distribution provisions. Presented to third parties instead of the full trust document.
EIN (Employer Identification Number)	The IRS tax identification number required for the trust once it becomes irrevocable at the grantor's death.
Fiduciary Duty	The legal obligation to act in the best interests of the trust's beneficiaries with loyalty, prudence, and impartiality.
Form 1041	The U.S. Income Tax Return for Estates and Trusts — filed annually for the irrevocable trust until it is fully closed.
Grantor	The person who created the trust and whose assets funded it. Also called the settlor or trustor.
Irrevocable Trust	A trust that cannot be changed or revoked. A revocable living trust becomes irrevocable at the grantor's death.
HEMS	Health, Education, Maintenance, and Support — the standard used in many trusts for discretionary distribution decisions.
Residuary Estate	The assets remaining in the trust after specific bequests, debts, and expenses have been paid.
Revocable Living Trust	A trust created during the grantor's lifetime that could be changed or revoked at any time. The primary vehicle for probate avoidance.
Schedule K-1	A tax form issued to beneficiaries showing their share of trust income, deductions, and credits — filed with their personal tax returns.
Step-Up in Basis	The IRS rule that resets an inherited asset's tax basis to its fair market value at the date of death, potentially eliminating decades of capital gains exposure.

Successor Trustee	The person or institution named in the trust to take over management and administration of the trust after the original trustee's death or incapacity.
Trust Funding	The process of re-titling assets into the trust's name during the grantor's lifetime. Unfunded trusts do not avoid probate.
Uniform Trust Code (UTC)	Missouri's statutory framework governing trusts, found at RSMo Chapter 456. Establishes trustee duties, beneficiary rights, and trust administration procedures.

Resources & Contact Information

If the trust includes real estate — or if you simply need a trusted resource to think through your options — I'm here. Call or email anytime. No pressure, no obligation.

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Additional Resources

- Missouri Uniform Trust Code (RSMo Chapter 456): moga.mo.gov
- IRS — EIN application (free, immediate): irs.gov/businesses/small-businesses/apply-for-an-employer-identification-number
- IRS Form 1041 instructions: irs.gov
- Missouri unclaimed property search: treasurer.mo.gov
- NAIC life insurance policy locator: naic.org/life_policy_locator.htm
- MIB Group life insurance search: mib.com
- Pension Benefit Guaranty Corporation (unclaimed pensions): pbgc.gov
- National Registry of Unclaimed Retirement Benefits: unclaimedretirementbenefits.com