



# When Someone Dies Owing Money: A Practical Guide to Handling Estate Debts

*Understanding your responsibilities as an executor doesn't have to be overwhelming*

When you're named as an executor, one of the most stressful questions you'll face is: "What about all the debts?" It's natural to worry about being personally responsible for someone else's financial obligations, but I want to put your mind at ease while giving you the practical guidance you need.

## The Reality About Estate Debts

Let me start with the most important point: **You are not personally responsible for your loved one's debts.** The estate pays these debts, not you. However, as executor, you do have specific responsibilities for handling them properly.

Think of it this way - you're managing the estate's finances, not taking on the debts as your own. This distinction matters enormously for your peace of mind and your legal protection.

## Not All Debts Are Valid

Before you start writing checks, understand that not every claimed debt is legitimate. Unfortunately, some people try to take advantage of grieving families. I've seen cases where:

- Creditors claimed debts that were already paid
- Scammers sent fake collection notices
- Organizations with poor record-keeping sent outdated bills

**Your first job is verification.** Don't assume every bill that arrives is valid. Ask for documentation, check the deceased person's records, and remember that legitimate creditors should be able to provide proof of the debt.

## Time Limits Work in Your Favor

Here's something many executors don't realize: creditors typically have only 3-9 months after you publish probate notices to make claims against the estate. Miss this deadline? The debt is legally barred, and the estate has no obligation to pay it.



This isn't about being unfair to creditors - it's about creating closure for families. You can't settle an estate if debts keep appearing indefinitely.

## Priority Matters: Who Gets Paid First

Not all debts are equal. Missouri law (like most states) requires debts to be paid in a specific order:

1. **Funeral expenses** - These take priority
2. **Estate administration costs** - Including legal fees and executor expenses
3. **Taxes** - Federal and state obligations
4. **Everything else** - Credit cards, medical bills, personal loans

This priority system protects what matters most while ensuring the estate is settled fairly.

## When the Estate Can't Pay Everything

If the estate owes more than it's worth (called "insolvent"), you're not expected to work miracles. The law recognizes this reality and provides a clear framework:

- Pay debts in the priority order above
- Pay what you can with available funds
- The remaining debt simply isn't paid

Surviving family members are not responsible for unpaid debts (with rare exceptions involving jointly held debts).

## The Tax Responsibility Exception

While you're not personally liable for most debts, taxes are different. If you distribute estate assets knowing there are unpaid taxes, you could become personally responsible for those tax debts up to the amount you distributed.

This is why I always recommend working with a qualified tax professional and ensuring all tax obligations are resolved before making distributions to beneficiaries.

## Negotiation Is Often Possible

Many creditors would rather receive something than nothing. When estates are tight on funds, don't be afraid to negotiate. Credit card companies, medical providers, and other



creditors often accept reduced payments, especially if the alternative is getting nothing at all.

Get any debt forgiveness agreements in writing, and be aware that forgiven debt may be taxable income to the estate.

## **Protect the Estate's Assets**

While you're sorting through debts, you still need to protect the estate's assets. This means:

- Keeping insurance current
- Maintaining properties
- Paying utilities to prevent damage
- Making mortgage payments to avoid foreclosure

Use common sense - some bills need immediate attention to prevent larger problems.

## **Don't Go It Alone**

Handling estate debts while grieving is challenging enough without trying to figure it out alone. Whether you're working with a probate attorney, a specialized real estate professional like myself, or both, having knowledgeable guides makes all the difference.

Remember, being an executor doesn't mean you have to become an expert in probate law overnight. It means you're responsible for ensuring the right professionals handle their respective areas while you make the important decisions.

## **The Bottom Line**

Estate debt resolution follows clear legal guidelines designed to protect both creditors and families. You're not expected to pay debts the estate can't afford, nor are you personally liable for legitimate estate debts.

Focus on verification, follow the priority order, protect the estate's assets, and don't hesitate to seek professional guidance when needed. Your loved one chose you as executor because they trusted your judgment - trust yourself to handle this responsibility with the support you need.



*If you're dealing with estate debts that involve real estate assets, I'm here to help. As a Certified Probate Expert serving the St. Louis area, I understand how property decisions impact overall estate settlement. Let's discuss your specific situation and create a plan that serves your family's best interests.*



Download eBook - The Essential Guide To Navigating The Probate Process And Settling An Estate



Schedule a Consultation

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