

Loans and Debts Owed to You

If you've lent money to anyone, your executor needs to try to recover it.

Maybe you lent your daughter \$20,000 for a house deposit. Maybe you helped a friend with a \$5,000 loan when they were struggling. Maybe you're owed money from a business deal that went sideways.

Whatever the situation, these debts are assets of your estate. Your executor should attempt to collect them (if it's practical and appropriate to do so).

This section helps your executor know who owes you money and whether there's any documentation to back it up.

When should your executor try to recover debts?

Not all debts are worth pursuing. Here's how to think about it:

If there's a written agreement and the amount is significant, your executor should pursue it. If you lent someone \$50,000 and there's a signed loan agreement, your executor should collect that money for your estate.

If it's a verbal agreement with family, use judgment. If you lent your son \$10,000 for university and he's been slowly paying you back, your executor might choose to forgive the remaining balance rather than create family conflict. But if the amount is large, they might need to pursue it.

If the debt is uncollectable, don't waste time and money. If you lent someone \$2,000 ten years ago and they've disappeared, it's probably not worth hiring a lawyer to chase it.

Your executor will use their discretion, but they need to know what's owed to you first.

What about informal family loans?

Family loans are tricky.

Maybe you gave your daughter \$30,000 "for a house deposit" but you never clarified whether it was a loan or a gift. Maybe you've been helping your son with rent for years and he says he'll "pay you back someday."

If you want these treated as loans (to be repaid to your estate), document them here and clarify the terms. Otherwise, your executor will assume they were gifts and won't pursue repayment.

If you want to forgive a family loan when you die, say so in your Will. For example: "I forgive the \$20,000 loan I made to my daughter Sarah in 2020."

WHY THIS MATTERS

Money you're owed is an asset. If your estate is owed \$50,000 and your executor doesn't know about it, that's \$50,000 your beneficiaries will never receive.

On the flip side, if you don't document informal family loans, your executor might create conflict by demanding repayment when you intended the money to be a gift.

Write it down. Be clear.

Your Loans and Debts Owed to You

Money other people owe you, so your executor can collect it, or forgive it, as you wish.

LOAN 1 (OWED TO YOU)

BORROWER'S NAME	RELATIONSHIP TO YOU
AMOUNT ORIGINALLY LENT	DATE LOAN MADE
AMOUNT STILL OWED	REPAYMENT TERMS
WRITTEN AGREEMENT? (LOCATION)	SHOULD EXECUTOR RECOVER IT?

LOAN 2 (OWED TO YOU)

BORROWER'S NAME	RELATIONSHIP TO YOU
AMOUNT ORIGINALLY LENT	DATE LOAN MADE
AMOUNT STILL OWED	REPAYMENT TERMS
WRITTEN AGREEMENT? (LOCATION)	SHOULD EXECUTOR RECOVER IT?

Your Loans and Debts Owed to You (cont.)

LOAN 3 (OWED TO YOU)

BORROWER'S NAME	RELATIONSHIP TO YOU
AMOUNT ORIGINALLY LENT	DATE LOAN MADE
AMOUNT STILL OWED	REPAYMENT TERMS
WRITTEN AGREEMENT? (LOCATION)	SHOULD EXECUTOR RECOVER IT?

BUSINESS DEBTS OWED TO YOU

Unpaid invoices, customer credit. Vendor finance is covered in the Agreements chapter.

ACCOUNTS RECEIVABLE RECORDS STORED AT	WHO HANDLES COLLECTION
COLLECTION CONTACT PHONE	APPROXIMATE TOTAL OWED
YOUR GUIDANCE FOR YOUR EXECUTOR ON PURSUING OR FORGIVING THESE DEBTS	