

Debts and Liabilities

When you die, your debts don't disappear.

Your executor has to pay them from your estate before distributing anything to your beneficiaries. That means selling assets if necessary, using cash in bank accounts, or claiming on insurance policies.

Some debts are secured (like a mortgage, which is secured against your house). If the debt isn't paid, the lender can take the asset.

Other debts are unsecured (like credit cards or personal loans). If your estate doesn't have enough money to pay them, the creditors might miss out.

Your executor needs to know what you owe, who you owe it to, and how much.

What kinds of debts matter?

Here are the most common debts in Australian estates:

Mortgages. Already covered in the Property section, but worth noting again. If you have a mortgage, your executor needs to either pay it off, keep making repayments until the property sells, or transfer the property (with the mortgage) to a beneficiary.

Credit cards. Your executor needs to notify the bank, pay off the balance, and cancel the card. If you have multiple credit cards, list them all.

Personal loans. Bank loans, peer-to-peer loans, or loans from finance companies. Include the lender, account number, and outstanding balance.

Car loans or equipment finance. If you're still paying off a car, caravan, boat, or equipment, your executor needs to either pay it off or transfer it to a beneficiary who takes over the payments.

HECS-HELP debt. If you have a HECS or HELP debt (student loan), the remaining balance is usually wiped when you die. Any compulsory repayment already worked out on income you earned up to your

date of death may still need to be paid through your final tax return, so your executor should confirm this with the accountant or ATO. Your executor doesn't need to repay it, and it doesn't come out of your estate. But they should still notify the ATO to close your tax file.

Buy now, pay later accounts. Afterpay, Zip, Klarna, Humm, etc. If you have outstanding balances on these accounts, your executor needs to pay them off and close the accounts.

Tax debts. If you owe money to the ATO (unpaid income tax, GST, or penalties), these usually need to be sorted out as part of administering your estate. The order debts are paid in can be complex, especially if the estate is short of money, so your executor should check what applies with the accountant or a solicitor. The order debts get paid in can be complex, especially if the estate is short of money, so your executor should check the correct order with the accountant or a solicitor.

Personal guarantees. If you've guaranteed someone else's debt (for example, you guaranteed your child's business loan or your spouse's credit card), your estate might be liable if they default. Include details of any personal guarantees you've given.

Liens or judgments. If someone has sued you and won a judgment, or if there's a lien against your property, your executor needs to know. These debts must be paid before the property can be sold or transferred.

What about joint debts?

If you have a joint loan with someone (usually a spouse or business partner), the debt generally doesn't simply disappear when you die, and the other borrower often remains responsible for it. Exactly how it's treated depends on the loan, so it's worth confirming the position with the lender.

But if there's life insurance attached to the loan, it might pay out the balance when you die. Make sure your executor knows if you have loan protection insurance.

WHY THIS MATTERS

If your executor doesn't know about a debt, they might distribute your estate to beneficiaries and then discover the debt later. That creates a mess: they might have to claw money back from beneficiaries to pay creditors.

By documenting all your debts, you're making sure everything is paid in the right order and nothing is

missed.

Your Debts and Liabilities

Everything you owe, so your executor can settle it from the estate, not chase it blind.

CREDIT CARD 1

BANK / PROVIDER

CARD TYPE

CARD NUMBER (LAST 4)

APPROXIMATE BALANCE

CREDIT LIMIT

CREDIT CARD 2

BANK / PROVIDER

CARD TYPE

CARD NUMBER (LAST 4)

APPROXIMATE BALANCE

CREDIT LIMIT

CREDIT CARD 3

BANK / PROVIDER

CARD TYPE

CARD NUMBER (LAST 4)

APPROXIMATE BALANCE

Your Debts and Liabilities (cont.)

CREDIT LIMIT

PERSONAL LOAN 1

LENDER

LOAN PURPOSE

ACCOUNT NUMBER

AMOUNT BORROWED

OUTSTANDING BALANCE

MONTHLY REPAYMENT

FINAL PAYMENT DUE

LOAN PROTECTION INSURANCE?

PERSONAL LOAN 2

LENDER

LOAN PURPOSE

ACCOUNT NUMBER

AMOUNT BORROWED

OUTSTANDING BALANCE

MONTHLY REPAYMENT

FINAL PAYMENT DUE

LOAN PROTECTION INSURANCE?

Your Debts and Liabilities (cont.)

CAR LOAN / EQUIPMENT FINANCE 1

ASSET BEING FINANCED	LENDER
OUTSTANDING BALANCE	MONTHLY REPAYMENT
LOAN PROTECTION INSURANCE?	AGREEMENT STORED AT

CAR LOAN / EQUIPMENT FINANCE 2

ASSET BEING FINANCED	LENDER
OUTSTANDING BALANCE	MONTHLY REPAYMENT
LOAN PROTECTION INSURANCE?	AGREEMENT STORED AT

BUY NOW, PAY LATER

PROVIDERS (AFTERPAY, ZIP, KLARNA)	TOTAL OUTSTANDING
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Your Debts and Liabilities (cont.)

TAX & STUDENT DEBT

HECS-HELP is usually wiped on death, but notify the ATO. Check tax debts with your accountant.

HECS-HELP APPROXIMATE AMOUNT

ATO TAX DEBT TYPE

TAX DEBT AMOUNT

PAYMENT PLAN IN PLACE?

ACCOUNTANT NAME

ACCOUNTANT PHONE

PERSONAL GUARANTEE 1

If you guaranteed someone's debt and they default, your estate may be liable.

WHOSE DEBT

LENDER

AMOUNT GUARANTEED

CURRENT OR IN DEFAULT?

PERSONAL GUARANTEE 2

WHOSE DEBT

LENDER

AMOUNT GUARANTEED

CURRENT OR IN DEFAULT?

Your Debts and Liabilities (cont.)

LIENS OR JUDGMENTS

TYPE	AMOUNT OWING
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CREDITOR	DETAILS
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JOINT DEBT 1

The other person remains responsible for joint debts when you die.

TYPE OF DEBT	JOINT WITH
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LENDER	OUTSTANDING BALANCE
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JOINT DEBT 2

TYPE OF DEBT	JOINT WITH
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LENDER	OUTSTANDING BALANCE
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OTHER DEBTS

TYPE OF DEBT	CREDITOR
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Your Debts and Liabilities (cont.)

AMOUNT OWING

SECOND DEBT: TYPE

SECOND DEBT: CREDITOR

SECOND DEBT: AMOUNT

NOTES: ANYTHING ELSE ABOUT YOUR DEBTS