Understanding the Difference Between Inventory and Accounting of an Estate

When it comes to settling the affairs of a deceased individual, the legal process can seem complex and overwhelming. Two essential components of this process are often misunderstood: the inventory and accounting of an estate. These terms might sound similar, but they serve distinct purposes in the estate administration process. In this blog, we will explore the key differences between an inventory and an accounting of an estate, shedding light on their unique roles in probate and estate management.

Inventory of an Estate

An inventory of an estate is the initial step in the probate process when someone passes away with assets subject to probate. Probate is the legal process that ensures the orderly distribution of a deceased person's assets and settlement of their debts. The inventory essentially serves as a detailed list of the deceased person's assets at the time of their death.

Key points about an inventory:

a. Asset Identification: The primary purpose of the inventory is to identify and document all the assets owned by the decedent. This includes real estate, personal property, bank accounts, investments, and any other valuable items.

b. Valuation: Each asset listed in the inventory must be assigned a fair market value as of the date of the decedent's death.

c. Submission: An inventory will only be required to be submitted to the probate court in New Jersey if requested and then only after 3 months have elapsed. N.J.S.A. 3B:16-2

d. Not All-Inclusive: It's important to note that not all assets are subject to probate. Assets with designated beneficiaries or held in joint tenancy, for example, may bypass probate and do not need to be included in the inventory.

Accounting of an Estate

While the inventory provides a snapshot of the deceased person's assets at the time of death, the accounting of an estate is a more comprehensive financial report that details all the financial transactions involving the estate from the date of the decedent's death to its final distribution.

Key points about an accounting of an estate:

a. Financial Transactions: An accounting of an estate includes a record of all financial transactions involving the estate. This encompasses income received, debts paid, expenses incurred, and any distributions made to beneficiaries or heirs.

b. Creditor Claims: During the probate process, creditors have a specific period in which they can submit claims against the estate. The accounting must include the evaluation and payment of valid creditor claims.

c. Beneficiary Distributions: The accounting also shows how the estate's assets have been distributed to beneficiaries or heirs. It ensures that the distribution is in accordance with the decedent's will or state intestacy laws.

d. Court Approval: In New Jersey, the accounting of an estate is only required if requested and ordered. The request cannot be made until at least one year has passed. N.J.S.A. 3B:17-2.

Conclusion

In summary, an inventory and an accounting of an estate are distinct but interconnected components of the probate and estate administration process. The inventory provides a snapshot of the deceased person's assets at the time of death, while the accounting offers a comprehensive financial report of all estate transactions from the date of death to final distribution. Both documents are essential for ensuring the proper settlement of the decedent's affairs and the equitable distribution of their assets. Understanding these differences is crucial for those involved in estate administration and probate proceedings to navigate the process efficiently and in compliance with applicable laws.