

Estates and Trusts Case Summaries
NC Court of Appeals and NC Supreme Court
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January 1, 2015 – June 6, 2017

Estates

Probate of a Holographic Codicil

[In re Estate of Allen \(COA16-1209; June 6, 2017\)](#)

Caveat proceeding filed challenging the validity of a holographic codicil to a typewritten will. Trial court held the handwritten notes on the will constituted a valid holographic codicil. Caveator appealed and the NC Court of Appeals reversed the decision of the trial court. The court held:

- To be a valid holographic codicil to a typewritten will, the meaning of the testator's handwritten words must not require reference to other words in the typewritten part of the will. The handwritten words must be sufficient, standing alone to establish their meaning. In this case, the testator's handwritten words required reference to typewritten parts of the will, specifically "Article IV", to give them meaning and therefore did not constitute a valid holographic codicil.
- To be a valid handwritten or typed codicil, a codicil must establish present testamentary intent of the testator to modify the will and not a plan for a possible future change to the will. In this case, the record did not establish whether the testator's handwritten note "beginning 7-7-03" was added on that date and indicated such present intent or on an earlier date and thus expressed an intent to make a future change to the will. Therefore, there was insufficient evidence of the testator's present testamentary intent to modify the will.

Proceedings to ascertain heirs or devisees

[In re Estate of Peacock \(COA15-1238; June 21, 2016\)](#)

Richard and Bernadine married, had three children, divorced, and later reconciled in the last years before Richard's death. The day before Richard's death, while he was in the hospital, a reverend performed a marriage ceremony between Richard and Bernadine. Richard died intestate and their daughter applied for letters of administration and did not identify Bernadine as an heir. A proceeding was filed before the clerk to determine whether the marriage in the hospital was valid and thus entitled Bernadine to inherit and otherwise share in the estate. The clerk entered an order that Bernadine was not an heir because the hospital ceremony was conducted without a marriage license and therefore did not result in a valid marriage. The petitioner appealed to superior court who affirmed the order of the clerk. On appeal, the NC Court of Appeals reversed and held that, while it is a Class 1 misdemeanor for a minister or other authorized person to conduct a marriage ceremony without first receiving a license, the absence of a valid marriage license does not invalidate a marriage performed in accordance with the requirements of G.S. 51-1. As a result, Bernadine was entitled to all rights of a spouse of an intestate decedent.

Intestate Succession and Children Born Out of Wedlock

[In re Estate of Williams \(COA15-619; March 1, 2016\)](#)

Adult man died intestate; parents of the decedent filed to open an estate and listed themselves as the only persons entitled to take from the decedent on the application for letters of administration. A motion was later filed on behalf of a minor child in the estate before the clerk of superior court to determine whether the minor child was an heir entitled to inherit from the decedent. The court applied the statutory requirements of G.S. 29-19(b)(2) to determine whether the child was entitled to inherit from the father via intestate succession. The court held that strict compliance rather than substantial compliance with the statute is required. Because a written acknowledgement of paternity executed or acknowledged before a certifying officer named in G.S. 52-10(b) was never filed with the clerk during the child's and the father's lifetime, the child could not take as an heir under G.S. 29-19(b)(2). The court also held that the provisions of G.S. 29-19(b)(2) do not violate the Equal Protection Clause of the U.S. Constitution as the state has an interest in a just and orderly disposition of property at death. The classification based on illegitimacy created by G.S. 29-19(b)(2) is substantially related to a permissible state interest and therefore survives an intermediate scrutiny analysis by the court.

Funeral Expenses

[In re Estate of Taylor \(COA15-159; July 7, 2015\)](#)

Daughter of decedent paid for funeral expenses. Daughter filed a request for reimbursement after the deadline for presentation of claims passed. Executor filed a petition to disallow the request and rejected the claim. Executor filed a final accounting that did not include reimbursement of funeral expenses. Daughter objected to final accounting. Clerk entered order granting reimbursement of funeral expenses. Executor appealed. Superior court reversed clerk's order. Daughter appealed. NC Court of Appeals held funeral expenses constitute a claim against the estate and as such the claim must be presented within the time limits set forth in GS 28A-19-3. Funeral expenses are not a reimbursable expense that (i) may be submitted at any time prior to the closing of the estate, or (ii) are automatically presented or exempted from presentation. In addition, a dispute over a claim for reimbursement of funeral expenses is not within the jurisdiction of the clerk of superior court to hear. If the claim is filed, then rejected and not referred by the personal representative, the claimant must then commence a civil action for recovery of the funeral expense claim within the time limits set forth in GS 28A-19-16 or else it is barred.

Attorneys' Fees

[In re Estate of Taylor \(COA15-159; July 7, 2015\)](#)

Non-attorney personal representative hired an attorney to assist personal representative with estate administration and litigation related to the estate. Beneficiary daughter objected to the final account, in part, on the basis that the attorneys' fees were unreasonable. Clerk entered an order approving only a portion of the fees. Personal representative appealed. Superior court vacated clerk's order and approved the fees in total. Beneficiary daughter appealed. The NC Court of Appeals held the clerk has the authority to review attorneys' fees shown on a final accounting for reasonableness where the non-attorney personal representative hires an attorney to do work on behalf of the estate. In the order approving or denying attorneys' fees,

the clerk must make findings of fact and conclusions of law sufficient to allow for meaningful review on appeal.

Declaratory Judgment; Rights under a Will

[Brittian v. Brittian \(COA15-139; Sept. 15, 2015\)](#)

The daughter of the decedent submitted a will for probate that contained a marking striking through the name of the decedent's granddaughter. After the will was admitted to probate and letters issued to the daughter as executrix, the clerk wrote a letter to the executrix stating that the marking was not a valid partial revocation and did not disinherit the granddaughter. The executrix disagreed and as a result filed an action in superior court for a declaratory judgment to determine the rights of the parties under the will under G.S. 1-254. The superior court entered an order dismissing the matter on the basis that the proper mechanism for challenging the will was by filing a caveat. Executrix appealed. The NC Court of Appeals, reversing the superior court, held that the executrix, as an interested party, properly filed a declaratory judgment action rather than a caveat because the question before the court concerned the construction of the will and the effect of the marking on the parties' rights under the will. It did not involve a challenge to the validity of the will itself.

Effect of Probate of a Will and Related Caveat on Prior Civil Action Implicating the Validity of the Will

[Finks v. Middleton \(COA16-630; Dec. 30, 2016\)](#)

Decedent allegedly executed a 2009 will naming her son and a daughter as co-executors and distributing her property equally among her three children. In 2012, decedent executed a new will, an *inter vivos* revocable trust agreement, and a power of attorney naming her son as the executor, successor trustee, and agent under the power of attorney, respectively. After decedent's death, daughter filed a civil suit against son for, in part, breach of fiduciary duty, fraud, and conversion. As part of the civil suit, daughter alleged (i) son procured revisions to the decedent's estate plan using undue influence and (ii) the decedent lacked capacity to execute the 2012 documents. The son then filed a motion to dismiss the civil action and submitted the 2012 will for probate. The will was admitted to probate by the clerk. The daughter subsequently entered a caveat to the 2012 will alleging undue influence and lack of testamentary capacity, similar allegations raised in her civil action. The superior court denied the son's motion to dismiss the civil action for lack of standing and the son appealed.

The NC Court of Appeals affirmed the decision of the trial court and held that the daughter had standing to assert the claims in her civil action as an heir. In addition, the daughter did not lose standing when the son probated the 2012 will. The court noted that jurisdiction is determined at the time the civil action is filed and may not be eliminated by subsequent actions of the defendant. Although the civil action implicated the validity of the will, a caveat was not available when the civil action was filed. Furthermore, the caveat would not resolve all claims in the civil action because the civil action included claims related to the revocable trust and the POA. The timing of the probate of the 2012 will coupled with the inadequacy of relief the daughter could obtain through the caveat entitled her to proceed with the civil action.

The court recommended the superior court hold the caveat in abeyance until the civil action was resolved in the interest of judicial economy and clarity.

Caveat: Standing, Evidence, and Summary Judgment

[In re Estate of Phillips \(COA16-613; Dec. 20, 2016\)](#)

In 2007, one month prior to his death, decedent executed a will leaving all of his property to his daughter (propounder). Daughter submitted and the court admitted the 2007 will to probate. Another daughter of decedent (caveator) entered a caveat alleging lack of testamentary capacity, undue influence and duress, and invalid execution of the will. Propounder filed motion for summary judgment as well as a motion to strike affidavits filed by the caveator in support of the caveat. Trial court granted both motions and held caveator did not have standing to enter the caveat. Caveator appealed. The NC Court of Appeals reversed on all grounds and remanded the caveat for trial. First, the court held that the caveator did have standing to enter the caveat as an interested party and heir at law. The fact that the decedent also executed a 1993 will submitted by the propounder that left nothing to the caveator did not defeat caveator's standing because the caveat proceeding would resolve the validity of all of the scripts before the court. The caveator was a potential intestate heir in the event both the 1993 and 2007 wills were invalid. Second, the court held that the decedent's statements included in the caveator's affidavits were admissible. The court discussed the NC Supreme Court decision [In re Will of Ball](#), 225 NC 91, and stated that decision provides that relevant declarations of the decedent not made at the time of the execution of the will or that demonstrate the circumstances under which the will was executed are admissible in a caveat proceeding. The court also noted that the Dead Man Statute did not apply in this instance because the affiants had no interest in the estate. Third, the court held, given the admissibility of the declarations in the caveator's affidavits, that genuine issues of material fact existed with regard to whether the decedent lacked testamentary capacity, was subject to undue influence and duress, and whether the will was properly executed. [For a detailed analysis of each of these legal standards, review the opinion.]

Tortious Interference with Expected Inheritance; Standing to Sue for Breach of Fiduciary Duty, Constructive Fraud, and an Accounting

[Hauser v. Hauser \(COA16-606; Feb. 21, 2017\)](#)

Sister filed a civil action against brother for (i) tortious interference with expected inheritance during the lifetime of their mother, the testator, (ii) breach of fiduciary duty under a power of attorney executed by their mother naming brother as agent under the POA, (iii) constructive fraud, and (iv) an accounting by brother to sister under the POA. Trial court dismissed all of sister's claims and the NC Court of Appeals affirmed. The court held that NC does not recognize a claim by a beneficiary for tortious interference with an expected inheritance during the lifetime of the testator. Further, the court held that the sister lacked standing to bring claims for breach of fiduciary duty and constructive fraud because no fiduciary relationship or relationship of trust and confidence existed between the sister and the brother. Any such claims must have been brought by the mother or someone legally authorized to act on her behalf. Finally, the court held that the sister was not entitled to accounting absent some

showing that the POA entitled her to an accounting as no other cited legal authority granted her such right solely on the basis of being a potential beneficiary of an estate.

Trusts

Subject Matter Jurisdiction

[Morgan-McCoart v. Matchette \(COA15-416; Jan. 5, 2016\)](#)

Plaintiff and defendant are sisters. Their mother creates a trust and executes a durable power of attorney naming plaintiff as trustee and attorney in fact. Mother is adjudicated incompetent by the clerk of superior court. Plaintiff and defendant sign and file with the clerk a resignation agreement stating defendant will assume role as trustee, plaintiff will not contest the appointment of defendant as general guardian, and plaintiff will submit a request to the clerk for reimbursement of expenses as trustee and attorney in fact. Plaintiff files a petition with the clerk of superior court for such reimbursement as well as for a distribution from the trust. The clerk enters an order allowing only a fraction of the expenses and not allowing any beneficiary distribution. The plaintiff files a complaint in district court against the defendant in the defendant's individual capacity, as trustee, and as general guardian for breach of contract. The district court dismisses the plaintiff's claims finding that the court did not have subject matter jurisdiction. The NC Court of Appeals affirms in part and reverses in part. The court finds that while the clerk retains jurisdiction to hear matters related to the guardianship under GS 35A-1203 and the administration and distribution of the trust under GS 36C-3-203, any action against the defendant in the defendant's individual capacity arising based on a claim for breach of contract related to the resignation agreement is within the jurisdiction of the district court.

Payable on Death Account; Totten Trusts

[Nelson v. SECU \(COA14-1393; Aug. 4, 2015\)](#)

Decedent signed State Employees' Credit Union (SECU) paperwork for a statutory "Payable on Death" account, transferred \$85,000 to the account, and designated his daughter as the beneficiary. Upon his death, the SECU paid the funds to the beneficiary. The decedent's other two children sued the beneficiary and the SECU. The other children argued that the decedent and SECU failed to create a statutory payable on death (POD) account under GS 54-109.57A and that the statute provides the only means for creating such an account. The NC Court of Appeals disagreed and held that a grantor may create an account that will pass to a named beneficiary upon death by complying with (1) the statutory requirements of GS 54-109.57A for POD accounts with a credit union (or other applicable POD statute depending on the financial institution), or (2) the common law requirements for Totten or tentative trusts. Although the decedent failed to create a valid statutory POD account in this case, the court held that the decedent created a valid common law Totten trust because the decedent (i) expressed intent to create the trust, (ii) identified a specific sum of money to place in the trust account, and (iii) identified the beneficiary of the trust. The court noted that it was not necessary to use the word "trust" to create a valid trust. Further, the court found that the decedent transferred a present beneficial interest to the beneficiary upon creation of the trust, a necessary component for the formation of a valid trust.

Uniform Transfers to Minors Act

In Matter of Alessandrini (COA14-850; Feb. 17, 2015)

Father established accounts for his children under the Uniform Transfers to Minors Act (UTMA) and named himself as custodian. Mother on behalf of herself and two children filed a special proceeding before the clerk for an accounting. Mother and two children alleged, among other things, father improperly withdrew custodial funds. Clerk ordered father to file accountings. Father filed accountings which showed that he had paid for certain expenses of the children out of pocket and later reimbursed himself from the custodial accounts. Because the clerk recused himself due to a conflict of interest, the matter was removed to superior court pursuant to [G.S. 7A-104\(b\)](#). Superior court granted summary judgment in favor of the father, mother appealed. The issue on appeal was whether it is a *per se* breach of the custodian's fiduciary duty under [G.S. 33A-12](#) for the custodian to pay expenses of a minor out of pocket and then later reimburse himself from the custodial funds. The court, using the Uniform Trust Code and related decisions as guidance, determined that under the UTMA the court will not undertake to control the exercise of discretionary power by the custodian except to prevent an abuse of discretion. A custodian under the UTMA abuses his or her discretion if the custodian (1) acts dishonestly, (2) acts with an improper motive, (3) fails to use his judgment, or (4) acts beyond the bounds of reasonable judgment. In the present case, the evidence did not show that the father did any of these things. It instead showed that he paid expenses for the benefit of the children from his personal funds and later reimbursed himself from the UTMA accounts. This fact alone did not constitute a breach of his duties as a custodian of the accounts.

Special Needs Trust; Removal of the Trustee

In re Estate of Skinner (COA15-384; June 21, 2016) (with dissent)

Clerk of superior court entered an order removing husband as trustee of wife's special needs trust (SNT) and as guardian of her estate (GOE). Husband appealed and superior court affirmed the clerk's order. The NC Court of Appeals reversed, finding that the clerk abused his discretion in removing husband as trustee and GOE because the findings of fact in the order were not supported by the evidence and certain conclusions of law were legally erroneous. This included the following:

1. **Future Medical Expenses.** The court examined the purpose of self-settled SNTs under U.S.C. 1396p(d)(4)(A) along with the language of the trust and found that the trust assets were not intended for future medical needs of the beneficiary. Thus, the court determined that the clerk erred in concluding that the trust was established for the payment of future medical expenses.
2. **Prepaid Burial Expenses.** In the clerk's order, the clerk held the trust language precluded the trustee from expending trust assets on funeral expenses. The court held that the clerk erred in this conclusion because neither the trust language nor regulations related to SNTs bar the use of trust funds for a prepaid burial insurance policy, which is what the trustee purchased during the beneficiary's lifetime.
3. **Purchases of House, Furniture, and Appliances.** The clerk's order stated that the trust language precluded the trustee from using trust assets to purchase a house, furniture, and appliances. The court disagreed and held that the definition of "special needs" in

the trust included needs not otherwise covered. Therefore, the court held the clerk erred in determining that the trust assets could not be used to make such purchases.

4. **“Sole Benefit.”** The court held that the clerk’s interpretation of “sole benefit” constituted legal error. The clerk found that the trust assets were not used for the sole benefit of the beneficiary because the trustee lived in the house and used the furniture and appliances. The court stated that the clerk’s interpretation that no one else could use the house, furniture, and appliances would create an absurd result forcing the wife to live alone or charge her husband rent. The court established the “sole benefit” rule to determine whether a (d)(4)(a) SNT is established and being administered for the sole benefit of a disabled adult trust is:
 - a. The trust must have no primary beneficiaries other than the disabled person;
 - b. The trust may not be used to effectuate uncompensated or sham transfers;
 - c. The trust must be one that the trustee does not have a duty to balance the fiduciary benefit to the beneficiary with a duty to ensure that funds remain for creditors; and
 - d. The financial and legal benefit of any investment must remain with the trust.
5. **The Trustee’s purchases constituted waste and mismanagement.** The court held that the record did not support the clerk’s finding that the trustee’s use of trust assets constituted waste or mismanagement. The court noted that the evidence tended to show the opposite – the house is handicapped accessible, titled in the name of the trust, and purchased at an amount that was less than appraised value. Further, the only testimony at the hearing was that of the trustee and the court noted that “arguments of counsel are not evidence.”
6. **The Trustee committed a serious breach of trust.** The court held the clerk’s finding that the use of trust assets by the trustee to pay attorneys’ fees constituted a serious breach of trust necessitating removal of the trustee was not supported by the evidence. The fees related to research about whether the trustee could marry the beneficiary and the institution of guardianship proceedings, both which occurred before the trust was established. The court referred to GS 36C-7-706, which states that not every breach of trust justifies removal of a trustee and the breach must be serious. The court did not find evidence in the record to support a conclusion that the trustee committed a serious breach of trust where the trustee testified that he believed he could use the funds for such fees and that he agreed to repay the trust for them.

Dissent: The dissent was entered based on the opinion that majority reweighed the evidence and disregarded the deferential standard of review on appeal from the clerk. The dissenting opinion states that dissent applies to all holdings of the majority listed above except the holding related to funeral expenses.