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Wills, Trusts, and Administration of Estates

by James C. Rehberg*

This survey period has been interesting primarily because fiduciary law seemed to have paused for a breather. Immediately preceding this survey period, the General Assembly enacted the first truly comprehensive trust code in Georgia’s history.1 After the adoption of this code, with some relatively minor revisions, a time of study and evaluation of the new code, rather than litigation and legislative proposals, seems only natural. The few new statutes concerning fiduciary law will be covered after a discussion of a smaller number than usual of appellate court decisions in this area.

I. RECENT DECISIONS—WILLS AND ADMINISTRATION

A. The Joint Account as a Will Substitute

Most disputes that surface after the death of one of the parties to a multiple-party account concern a contention that, notwithstanding the account language showing survivorship rights, a different intention actually existed when the parties opened the account. The statute expressly allows for substance to prevail over form if that different intention is shown by clear and convincing evidence.2

The issue in such disputes concerns the intention of the depositor when the account was opened. Determining what happened after the opening of an undisputed joint account with right of survivorship created the novel issue in Rawlins v. Campbell.3 In Rawlins a true joint and survivor ac-

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* Professor Emeritus, Walter F. George School of Law, Mercer University. Mercer University (A.B., 1940; J.D., 1948); Duke University (LL.M., 1952). Member, State Bar of Georgia.
count was properly opened in the names of A and B. Prior to A’s death, A purported to add the name of C as a third joint tenant, and C signed a signature card ostensibly showing himself as such. After A’s death, B withdrew the funds and closed the account. C sued B for conversion of the funds, claiming that the broad language of the account agreement signed by B evidenced B’s agreement that A could unilaterally add the name of another to the account. The court of appeals affirmed summary judgment in favor of B.

Once established, parties can change the terms of a multiple-party account only by closing the account and reopening it on different terms, or by presenting to the bank a modification agreement acceptable to the bank and signed by all parties with a present right of withdrawal. In Rawlins it was undisputed that the account was never closed and reopened, and that B never signed a modification agreement.

B. Year’s Support

Although a year’s support can be set apart only from property that was a part of the decedent’s estate at death, the award of the “decedent’s interest” in specified property is valid even though the nature and the extent of such interest is unascertained at the time of the award. The court in Johnson v. Johnson applied this principle to an unusual factual situation. In Johnson the court awarded the surviving husband of the decedent the “decedent’s interest” in the residence where they had resided since 1957. The adult son of the decedent caveated this award on the basis of a conveyance of the property to him in 1983. The decedent’s husband conceded that the property was titled in the name of the son, but alleged that the son held the property in trust for the benefit of the decedent and the husband. The court of appeals affirmed the award of the “decedent’s interest” to the husband, notwithstanding that the nature and extent of the interest were not yet ascertained.

The probate court does not have jurisdiction to try conflicting claims of title to property on an application for year’s support. However, the probate court in Johnson did not attempt to do this. The court simply

4. Id. at 473, 405 S.E.2d at 112.
5. Id.
7. 199 Ga. App. at 473, 405 S.E.2d at 112.
10. Id. at 550, 405 S.E.2d at 545.
11. Id. at 551, 405 S.E.2d at 546.
awarded the decedent's interest in the residence to the husband. Even if the decedent had no legal interest in the residence at her death, if she had an equitable interest as beneficiary of the alleged trust, then the year's support award would include that interest. The son's caveat was supported only by a copy of the deed conveying the legal title to him in 1983. That does not address the implied trust issue.

The court in Wynn v. Wynn addressed the interesting question of whether a surviving spouse's acceptance of a nonprobate asset as surviving joint tenant with her husband constituted an election not to claim year's support against his estate. The court of appeals held that acceptance may constitute an election not to claim year's support, even though the contract creating the survivorship right was not testamentary. The husband's will bequeathed $15,000 to the wife. The will stated that he wished to assure her $25,000 at his death and that he therefore purchased a $10,000 certificate of deposit in their joint names with right of survivorship. In apparent awareness that this certificate would be a nonprobate asset, he stated that the only "bequest" made in that item of the will was the one for $15,000. The will also included the common clause that the provisions of the will in favor of the surviving spouse were in lieu of year's support.

When the husband died, ten years later, there were two certificates: one for $15,000 and one for $10,000, payable to them jointly. After the bank paid these amounts to the surviving wife, she applied for year's support. Over the executor's caveat to the claim, she was awarded $25,000 and the home in fee simple. However, the superior court granted summary judgment to the executor on the ground that her election to take under the will precluded her from receiving year's support.

The wife argued to the court of appeals that the proceeds of the certificates were not a part of the husband's estate at death but, instead, constituted a nontestamentary transfer by express language of the statute. The court concluded that the superior court's summary judgment in favor of the executor was erroneous because there remained an unanswered question of fact, specifically, "whether the funds . . . passed to her

14. Id.
15. Id. at 551, 405 S.E.2d at 546.
17. Id. at 680, 415 S.E.2d at 288.
18. Id.
19. Id. at 679, 415 S.E.2d at 288.
20. Id. at 680, 415 S.E.2d at 288.
21. Id.
outside the estate and did not constitute an election to take under the will . . . .”22

Clearly, the funds from the certificates passed to her outside the estate. The statute expressly provides that their transfer was not testamentary.23 Additionally, the election statute strongly suggests that a testator may only “by his will” make provision for his spouse in lieu of year's support.24 Thus, the superior court’s reasoning is persuasive.

C. Standing to Appeal Probate Court Order

In Bruce v. McMullen,25 the court of appeals faced two possibly conflicting lines of supreme court cases on a narrow procedural question. The probate court denied the executrices of a purported will probate for lack of evidence, and a class of legatees and debtors filed suit in superior court. The parties to this latter action entered into a consent order pursuant to which the probate court order denying probate was set aside and the executrices ordered to resubmit the will for probate. The consent order expressly directed that the class of legatees and debtors be given notice of the renewed proceeding. The record showed that the parties were served properly but failed to file any pleadings. However, after the probate court again denied probate, the legatees and debtors filed a notice of appeal to the superior court. The superior court dismissed the appeal on the ground that even though they had been properly served, they had no standing to appeal because they had filed no pleadings in the renewed proceeding.26 The court of appeals examined the two possibly conflicting lines of authority and reversed the superior court decision.27

The court in Mitchell v. Pyron,28 the oldest supreme court case, held that a creditor who was served with notice of the proceeding in the court of ordinary (now the probate court) was a party to the proceeding and had standing to appeal the ordinary’s decision whether or not he made any objection prior to that decision.29 However, the court in Samples v. Samples,30 leading another line of cases, held that one who neither appeared to contest the will at the probate level nor to present evidence on

22. Id., 415 S.E.2d at 289.
24. Id. § 53-5-5 (1982).
26. Id. at 239-40, 404 S.E.2d at 620-21.
27. Id. at 240, 404 S.E.2d at 621.
29. Id. at 417.
appeal to the superior court lacked standing to appeal the judgment of the superior court.\textsuperscript{31}

The court of appeals avoided the possible conflict of authority issue by ruling that in the second line of cases the failure to appear at the probate level or to present evidence at the superior court level was tantamount to not being proper parties to the proceeding; whereas, in the instant case, since express notice was given to legatees and debtors, they were automatically interested parties.\textsuperscript{32} The parties' failure to file any pleadings in the probate court did not divest them of standing.\textsuperscript{33}

\textbf{D. Contracts to Will}

Neither of the two contract to will cases that reached the appellate level successfully established the existence of such a contract.\textsuperscript{34} However, one case recognized a cause of action in \textit{quantum meruit}.\textsuperscript{35} In \textit{Powell v. Thomas},\textsuperscript{36} plaintiff offered evidence of specific services rendered to the decedent over a seven-year period, including cooking, cleaning, gardening, serving meals, and other examples of constant care. Plaintiff was not a relative of the decedent, and there was no evidence that the decedent had compensated her for the services. The jury found that no contract to will was entered into by the parties but that plaintiff was entitled to $19,000 for the value of the services rendered.\textsuperscript{37} The \textit{quantum meruit} award was held to have been authorized by evidence that plaintiff, a nonrelative of the decedent, did not expect to work for seven years without compensation, and by evidence of other witnesses that observed plaintiff caring for the decedent.\textsuperscript{38}

The hurdle faced by plaintiff in \textit{Martin v. Silvey},\textsuperscript{39} the other contract to will case, was the consideration allegedly furnished by plaintiff. The consideration was a promise to take care of the decedent's invalid wife and invalid daughter after his death. After the decedent died intestate, plaintiff sued to enforce her alleged contract, claiming that she stood ready and willing to perform her part of the agreement but that the decedent's wife and daughter would not let her take care of them. The alternative forms of relief sought by plaintiff were specific performance of the

\textsuperscript{31} Id. at 385, 21 S.E.2d at 603.
\textsuperscript{32} Id.
\textsuperscript{33} Id.
\textsuperscript{35} Id. at 385, 21 S.E.2d at 603.
\textsuperscript{36} Powell, 199 Ga. App. at 554, 405 S.E.2d at 554.
\textsuperscript{37} Id. at 553, 405 S.E.2d at 553 (1991).
\textsuperscript{38} Id. at 554, 405 S.E.2d at 554.
contract, damages for its breach, or quantum meruit damages. The court of appeals affirmed the lower court's dismissal of plaintiff's action on summary judgment. Although an oral agreement, including one to devise land, may be enforceable after the decedent's death if the terms are fair and equitable, a mere naked promise without actual performance, which neither conferred any benefit on the decedent nor caused any detriment to the plaintiff, is not enforceable after the decedent's death. The surviving party's attempted performance that resulted in no loss to one nor benefit to the other will not exclude the oral contract from the statute of frauds. The crux of plaintiff's problem was that she cannot specifically enforce an agreement that she admittedly has not performed. Plaintiff's quantum meruit claim for her alleged services prior to the decedent's death also failed because her own testimony indicated that any such services were rendered voluntarily.

E. Administrator's Sale

In Lyday v. Burkes, the claim of a bona fide purchaser for value at an administrator's sale prevailed over the legal title that had previously vested in the sole heir, even though the heir admittedly had no notice of the sale. The sole asset of the mother, who died in 1977, was a subdivision lot. An administrator was duly qualified and later that year duly sold the lot. The sale was pursuant to a probate court order that listed only collateral heirs, all of whom were duly served. The court determined that the sale was fair and in the best interest of the estate, and that the sale price reflected the fair market value. The problem, though, was that the sole heir of the intestate decedent was incarcerated at the time of the sale and had no notice of it.

When the sole heir discovered what had happened, he filed an action seeking a decree that title vested in him as sole heir upon his mother's death. The superior court's summary judgment in his favor, however, was reversed on appeal. The supreme court cited authority from 1919 which clearly held that such an order of sale, being a judgment of a court of competent jurisdiction, implies a legal necessity for the sale to pay debts.
or to effect distribution." The court cited Official Code of Georgia Annotated ("O.C.G.A.") section 53-8-46 as codification of that rule. Section 53-8-46 provides: "If there are irregularities in the sale or if he [the administrator] fails to comply with the law as to the mode of sale, the sale shall be voidable except as to innocent purchasers."

F. Renunciation and Its Effect

The effect of renunciation of testamentary gifts was an issue in two cases decided during this survey period, the effect being less crucial in the first than in the second. The first case, Chastain v. Chastain," concerned a will that left the residue to the testator's mother for life with a right to encroach for her maintenance, care, and support, the remainder to two of the testator's brothers in trust to provide funds "for educational purposes" for the three children of a third brother, and, upon completion of their education, the remainder to pass, free of trust, to the testator's brothers and sisters.

The sequence of events after the testator's death exemplifies the risks that are present when some family members are made trustees for other family members. After the testator's death in 1974, the mother executed an agreement renouncing her rights under the will. Seven years later, in 1981, this renunciation agreement was filed in the probate court, and in 1985 the mother died. In 1988 the nephews (beneficiaries of the trust "for educational purposes") filed suit for monetary damages, alleging that they were unaware of their grandmother's 1974 renunciation until after her death in 1985. The facts disclosed that the executors had secretly obtained the renunciation.

The appeal to the supreme court was based on the trial court's dismissal of the action for failure to state a cause of action and on the basis of the statute of limitations. The dismissal by summary judgment was held erroneous because genuine issues of fact remained on the claims of fraud and breach of trust and the running of the statute of limitations on those claims. If there was fraud, the running of the statute would not have commenced until the nephews knew or should have known of it. When a relationship of trust and confidence exists, the fiduciaries' failure to speak

49. Id. (citing Copelan v. Kimbrough, 149 Ga. 683, 102 S.E. 162 (1919)).
50. Id. (citing O.C.G.A. § 53-8-46 (1982)).
51. O.C.G.A. § 53-8-46 (emphasis added).
53. Id. at 275-76, 404 S.E.2d at 553.
54. Id. at 276-77, 404 S.E.2d at 553.
55. Id. at 276-77, 404 S.E.2d at 554.
56. Id. at 278-79, 404 S.E.2d at 554.
when they should speak or to disclose what they should disclose is as much a fraud as an actual affirmative false representation. Whether that relationship existed and, if so, whether and when there was a duty to speak or to disclose information were the genuine issues of fact remaining. Whether the statute of limitations had run depended on the resolution of these issues.

Decision of the other renunciation case required a first impression construction of the renunciation statute itself. In Brown v. Momar, Inc., the residuary clause left the testator's 250,000 shares of Class A stock in Momar to his wife if she survived him, otherwise to his sons per stirpes. The wife timely filed papers, pursuant to the terms of the renunciation statute, renouncing her interest in the stock. The sons, assuming they were entitled to the stock as substitute legatees, requested that Momar register the ownership transfer and reissue the stock to them. Momar did so, but a month later demanded that the sons surrender the newly issued certificates and take, in exchange, payment of the book value plus ten percent. Momar contended that the stockholders' agreement to which the stock was subject required this action. The sons refused and filed an action for determination of their rights in the stock.

The parties stipulated that the stock agreement was executed in 1971 and amended in 1972. Paragraph four of the 1971 agreement provided that upon the death of a shareholder, his heirs and personal representatives would have an option either to convey the stock to Momar or to hold it for twelve months and then sell it to Momar. In either event, the buy-sell agreement called for sale of the stock at book value plus ten percent. Paragraph six of the 1971 agreement provided that such stock would be transferable inter vivos or by will to the issue or lineal descendants of the stockholder. The 1972 amendment added paragraph eleven to provide that a stockholder could make an even exchange of Class A or B stock and could make a transfer of it either by will or inter vivos, to his issue or lineal descendants. Paragraph eleven also expressly provided that it amended and superseded the provisions of paragraphs four and six of the 1971 agreement.

The sons argued that once their mother executed and filed her renunciation, the stock passed to them under the residuary clause of the will as if

58. 261 Ga. at 277, 404 S.E.2d at 554 (citing Morris v. Johnstone, 172 Ga. 598, 158 S.E. 308 (1931)).
61. Id. at 542, 411 S.E.2d at 718.
62. Id.
63. Id.
64. Id.
she had predeceased the testator. They also argued that since testamentary transfers were authorized under paragraphs six and eleven of the agreement, Momar had no right to demand a transfer to itself under paragraph four.\textsuperscript{66} The court of appeals held that the trial court erred in granting summary judgment in favor of Momar, and that judgment should have been granted to the sons.\textsuperscript{66}

The court carefully examined the applicability of the renunciation statute to this case in light of the restrictions on stock transfers found in the stockholders' agreement of 1971 and in its amendment in 1972.\textsuperscript{67} The statute provides that the right of renunciation shall be barred by any "assignment, conveyance, encumbrance, pledge or transfer . . ." of the property made before the expiration of the statutory renunciation period.\textsuperscript{68} Since the wife fully complied with the statute, her renunciation was effective unless the stock transfer provisions of the 1971 agreement and the 1972 amendment constituted an "encumbrance"; they clearly did not constitute either of the other specified types of change of stock ownership. The meaning of "encumbrance" constituted an issue of first impression in Georgia. Did "encumbrance" mean an encumbrance by the disclaimant (the wife) or an encumbrance existing on the property at the death of the testator? The court held that the subsection, viewed as a whole, referred to acts of the disclaimant and did not include an encumbrance existing on the property at the testator's death.\textsuperscript{69} There were no acts of the disclaimant other than her renunciation pursuant to the statute.

The only potential problem remaining was that the sons could take no greater interest in the stock than the testator had. Thus, they necessarily took an interest subject to the restrictions in the stock agreement. That agreement specifically allowed testamentary transfers. The sons' taking only because of the wife's renunciation is irrelevant. Since the statute provided that the renunciation relates back to the testator's death and the renouncing person is presumed to have predeceased the testator, the effect is the same as if the wife had in fact predeceased him and the sons had taken the stock as substitute takers under the will.\textsuperscript{70}

\section*{II. Legislation}

The materials in this section constitute a summary of the changes in fiduciary law made by the General Assembly in its 1992 session. Several

\begin{itemize}
\item \textsuperscript{65} Id. at 543, 411 S.E.2d at 721.
\item \textsuperscript{66} Id. at 542, 411 S.E.2d at 718.
\item \textsuperscript{67} Id.
\item \textsuperscript{68} O.C.G.A. § 53-2-115(d) (1982).
\item \textsuperscript{69} 201 Ga. App. at 542, 411 S.E.2d at 718.
\item \textsuperscript{70} Id. at 545, 411 S.E.2d at 722.
\end{itemize}
of these changes resulted from the enactment in 1991 of the Georgia Trust Act.\(^7\)

**A. Trustee as Beneficiary Eligible to Participate in Selection of Administrator with Will Annexed**

Prior to 1991, a trustee, qua trustee, was given no standing to participate in the selection of an administrator with the will annexed.\(^2\) The General Assembly extended the right in 1991 to include the "trustee of a trust created by the will."\(^7\) In 1992 the right was extended further to include the "trustee of a trust which is a beneficiary under the will."\(^4\) Thus, it appears that the trustee of an existing trust, whether created inter vivos by the testator, by another person, or by the will of another person, would have a voice in the selection of the administrator with the will annexed. In short, the trustee of any trust into which the will pours over any estate assets would have standing to participate in the selection.

**B. Incorporation of Statutory Powers by Reference**

The Georgia Trust Act,\(^7\) which took effect on July 1, 1991, used a different section number than that theretofore used to identify the section listing the statutory fiduciary powers that may be incorporated by reference into a will or trust instrument.\(^6\) The result was that material in section 53-15-3 of the pre-1991 code is now in section 53-12-232 of the new Georgia Trust Act.\(^7\) The risk of improper referencing was obvious. In 1992 the General Assembly dealt with this problem by amending the new subsection 53-12-231(c).\(^7\) Under the amended subsection, a provision in a fiduciary document executed after June 30, 1991, but before July 1, 1992, which incorporated powers by reference to former (repealed) section 53-15-3, shall be deemed to refer to the corresponding power in the new section 53-12-232.\(^7\) It follows that a reference to the former section will not be effective in an instrument executed after July 1, 1992.

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\(^{71}\) 1991 Ga. Laws 810 (codified at O.C.G.A. §§ 53-12-1 to -394 (Supp. 1991)).

\(^{72}\) See O.C.G.A. § 53-6-24 (1982).


\(^{75}\) 1991 Ga. Laws 810 (codified at O.C.G.A. §§ 53-12-1 to -394 (Supp. 1991)).

\(^{76}\) Id.

\(^{77}\) Id.


\(^{79}\) Id.
C. Living Wills

The General Assembly extensively rewrote Georgia's laws relating to living wills in 1992. While living wills are not technically within the subject matter of this Article, they are closely related and are of interest because of at least one change made in the Georgia statute. The change expands the scope of circumstances in which a competent adult validly may instruct his physician to withhold or withdraw life-sustaining procedures. Under prior law, an adult must have been in a "terminal condition," as defined by the statute. The former statute required a finding by two physicians that there was no reasonable expectation of improvement and that death from the condition was imminent. The current statute adds to the event of a terminal condition the existence of the declarant in a "coma" or in "a persistent vegetative state." The quoted terms are precisely defined as either "no reasonable expectation of regaining consciousness" or "no reasonable expectation of regaining significant cognitive function." Thus, under the 1992 act, a declarant may direct that life-sustaining procedures be withheld and that he be allowed to die if any of the three conditions exist.

III. Conclusion

Two other developments during the survey period are of interest to the fiduciary bar. The first is the issuance by the supreme court on September 13, 1991 of Formal Advisory Opinion No. 91-1, which addresses the question of whether it is ethically proper for a lawyer to be named executor or trustee in a will or trust that he or she has prepared. The opinion recognizes the potential conflict of interest, but concludes that a testator's or settlor's freedom to select an executor or trustee is such an important freedom that it should not be restricted in the absence of a strong justification. Such a selection is not ethically improper so long as certain safeguards are present. The principal safeguards are: first, the lawyer must not consciously influence the client to name him or her as executor or trustee; second, the lawyer shall obtain the client's written consent in some form after a full disclosure of the potential conflict of interest; and,

82. Id.
84. Id.
86. Id.
87. Id.
88. Id.
third, the total of the attorney fees and executor or trustee fees must be reasonable.\textsuperscript{89}

The second development was the creation of the Probate Law Revision Committee by the Fiduciary Law Section of the State Bar of Georgia in January 1992.\textsuperscript{90} This committee has the task of studying and restating the Georgia Probate Code.\textsuperscript{91} The hope is that a restatement can gain State Bar approval and be introduced in the General Assembly by 1994.\textsuperscript{92}

\begin{itemize}
\item \textsuperscript{89} Id.
\item \textsuperscript{90} Id. at 1.
\item \textsuperscript{91} Id.
\item \textsuperscript{92} Id.
\end{itemize}