

## Memorandum 87-100

Subject: Study L-1036 - Probate Attorney Fees (Policy Issue Determination)

The most significant policy issue in the Probate Code study is whether the California statutory fee schedule should be abandoned in favor of a reasonable fee scheme. This is the primary reason why the Commission was directed to study probate law and procedure. The persons who requested this study wanted to substitute the Uniform Probate Code attorney fee provisions for the California statutory fee schedule.

The Uniform Probate Code provides that the compensation of the attorney is determined by agreement with the personal representative. The court reviews the agreed compensation only if an interested person objects.

The staff has prepared the attached background study on California Probate Attorney Fees. This study is a revised and supplemented version of the portion of the study previously distributed. The first portion of the study presents a great deal of background material on probate attorney fees generally and also material especially relevant to the issue of whether a statutory fee schedule should be retained in California. The second portion presents various policy issues for Commission consideration.

We plan to consider this study at the December 1987 meeting. The staff will make its presentation at the meeting on the assumption that you have read the study with care prior to the meeting. You should not ignore the footnotes when you read the study; some of the footnotes contain useful background information.

Respectfully submitted,

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Executive Secretary

CALIFORNIA PROBATE ATTORNEY FEES

PARTS I AND II (CONSOLIDATED)

November 11, 1987

This study was prepared for the California Law Revision Commission by a member of the Commission's staff, John H. DeMouilly. No part of this study may be published without written consent of the Commission.

The Commission assumes no responsibility for any statement made in this study, and no statement in this study is to be attributed to the Commission. The Commission's action will be reflected in its own recommendation which will be separate and distinct from this study. The Commission should not be considered as having made a recommendation on a particular subject until the final recommendation of the Commission on that subject has been submitted to the Legislature.

Copies of this study are furnished to interested persons solely for the purpose of giving the Commission the benefits of the views of such persons, and the study should not be used for any other purpose at this time.

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## INTRODUCTION

The California Law Revision Commission has been directed to study "[w]hether the California Probate Code should be revised, including but not limited to whether California should adopt, in whole or in part, the Uniform Probate Code."<sup>1</sup> The direction to study this topic was included in a resolution adopted by the California Legislature in 1980.<sup>2</sup> The resolution was introduced at the request of persons who believe that substantial revisions in California law are necessary to avoid the delay and expense of probate.<sup>3</sup> These persons believe that the attorney in an estate administration proceeding should receive a reasonable fee rather than a fee determined by a percentage of the estate.<sup>4</sup>

This article has been prepared to present background information concerning two important policy issues:

(1) How should attorneys' fees be fixed in estate administration proceedings? Should the fees be a percentage of the estate, be

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1. 1980 Cal. Stats. res. ch. 37.
  2. Assembly Concurrent Resolution No. 107 (1979-80 Regular Session), introduced by Assembly Member Alister McAlister (the Assembly Member of the Commission).
  3. Assembly Member McAlister determined to sponsor a resolution to authorize the study of probate law after meeting with representatives of the American Association of Retired Persons and others.
  4. The author of this article was present at the meeting at which Assembly Member McAlister determined to sponsor the resolution that authorized the probate law study. The persons meeting with Assembly Member McAlister wanted the Uniform Probate Code to be enacted in California because they believed that it would significantly reduce probate fees of attorneys. In 1980, the same year the Commission was directed to study probate law, Assembly Bill No. 905 was introduced in the Legislature to have the fees of executors and attorneys in probate matters determined by the probate court on the basis of their being "reasonable." The legislation did not pass. See Estate of Getty, 143 Cal. App. 3d 455, 465, 191 Cal. Rptr. 897 (1983). Reasonable attorney fees were an issue in earlier efforts to enact the Uniform Probate Code in California. See discussion in Estate of Efron, 117 Cal. App. 3d 915, 925 n. 5, 173 Cal. Rptr. 93 (1981).

computed on an hourly rate based on the time spent by the attorney, be a reasonable fee, or be determined on some other basis?

(2) Should these fees be fixed or approved by the court in all cases or should they be subject to court review only in case of a controversy?

This article draws from information presented in the *Stein Study*.<sup>5</sup> That study is based on data collected from a representative sample of estate administrations in five states: California, Florida, Maryland, Massachusetts, and Texas.<sup>6</sup> The information presented in the *Stein Study* is used in this article to compare attorneys' fees for California estate administration proceedings with those charged in other states. Information collected in two other empirical studies of probate administration also is considered in this article.<sup>7</sup>

This article also draws on information contained in responses to a questionnaire distributed to California probate practitioners. This questionnaire (hereinafter referred to as "Questionnaire") was prepared by the California Law Revision Commission. The Questionnaire sought information concerning the estate administration practice of each respondent and his or her opinion concerning the changes, if any, that should be made in the way attorneys' fees are now fixed in California probate proceedings.

The Questionnaire was distributed to lawyers, judges, probate commissioners, probate referees, and others who had indicated an interest in the probate law study. Two hundred forty five persons responded to the Questionnaire. However, because of the manner of selection of the persons to whom the Questionnaire was sent, the

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5. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107 (1984) (hereinafter referred to as "Stein Study").

6. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1110 (1984).

7. Crapo, *The Uniform Probate Code--Does it Really Work?*, 1976 B.Y.U. L. Rev. 395; Kinsey, *A Contrast of Trends in Administrative Costs in Decedents' Estates in a Uniform Probate Code State (Idaho) and a Non-Uniform Probate Code State (North Dakota)*, 50 N.D.L. Rev. 523 (1974).

responses may not represent a reliable sample of the probate bar or of California lawyers in general.<sup>8</sup> Nevertheless, the responses are useful indications of California probate practices and of the opinions of California probate practitioners.

This article deals only with the fixing of attorneys' fees in formal probate proceedings. Where there is no formal probate proceeding, the fee charged by the California attorney is determined by agreement between the parties and is not subject to court approval. It is likely that in most cases where a person dies in California, the court does not fix or approve the attorney's fee because no formal probate proceeding is necessary.<sup>9</sup>

### FEE CHARGING APPROACHES

Methods used to fix attorneys' fees in estate administration include:

- The percentage fee method.
- The hourly charge method.
- The multiple factor approach.

### The Percentage Fee Method

The percentage fee method fixes the amount of the attorney's fee for probate administration work as a percentage of the value of the

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8. Most respondents (88.2%) were lawyers in private practice. Appendix 1, Table A-1. More than one-fourth of the respondents had been engaged in probate practice for more than 25 years. Appendix 1, Table A-2. The location of their practice was almost equally divided between Northern (52.7%) and Southern (47.3%) California. Appendix 1, Table A-3. Of the respondents, 39.3% were sole practitioners, 36.3% practiced in firms from 2 to 9 attorneys, and 24.4% practiced in firms of 10 or more attorneys. Appendix 1, Table A-4. Almost three-fourths considered themselves to be probate specialists. Appendix 1, Table A-5. More than 70% devoted more than half of their work time to probate, trust, and estate planning matters. Appendix 1, Table A-6.

9. See discussion, *infra*, under "Attorneys' Fees Where No Formal Probate Proceeding."



estate. The advantages and disadvantages of percentage fee charging are well summarized in the *Stein Study*:<sup>10</sup>

[P]ercentage fee charging has the appeal of simplicity. Courts can easily apply it. The extent and value of estate property is determined during administration and courts can routinely apply the appropriate percentage to determine the reasonableness of attorneys' fees.

Percentage fee charging has other advantages. The amount of attorney time required to administer an estate does tend to correlate with the size of the estate. Larger estates generally present more extensive and intricate legal problems than smaller estates; thus the higher fees the percentage approach produces in larger estates do roughly compensate attorneys for the greater work performed. A percentage fee charging system also may make legal services more affordable in smaller estates by shifting to larger and more profitable estates some of the costs of administering smaller estates, as well as by shifting overhead expenses properly allocatable to the smaller estates. Finally, other providers of services to the estate, such as real estate brokers and stockbrokers, charge for their services on a percentage basis--thus validating the concept.

Percentage charging by attorneys does, however, present difficulties. Two estates of the same size may require significantly different amounts of attorney work, depending on the nature of the assets held and the types of problems that exist. Moreover, the percentages set in any fee schedule may become established as the minimum fee charged, resulting in additional charges in complex estates and inflated charges in simple estates.

#### The Hourly Charge Method

For many other kinds of legal work it is a common practice to base the fee on the time the attorney works on the matter. The client is billed at the attorney's hourly rate for that kind of legal work. This "hourly charge" or "time spent" approach avoids the most significant problem created by percentage fee charging--the inadequate fee where the estate is a small estate and the windfall to the attorney where the estate is a large but simple estate.

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10. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1175 (1984) (footnotes omitted).

The *Stein Study* states the primary difficulty with this approach:<sup>11</sup>

Rigid application of a time spent standard, however, may penalize more efficient and experienced attorneys while benefiting less competent attorneys who take longer to perform the same tasks. Although more experienced attorneys should command a higher hourly rate for their time, the probate court or other authority reviewing fees may be unwilling to approve hourly rates that fully distinguish the experienced attorney's expertise from that of other attorneys.

Some California attorneys share this concern that the probate courts in fixing fees do not allow a reasonable hourly rate that recognizes the experience of the attorney.<sup>12</sup> Two California attorneys express concern that billing on an hourly rate will cause disputes as to how much time was used and whether it was necessary to spend that amount of time on the matter.<sup>13</sup> However, hourly rate charging is a method commonly used for billing for other legal services, and clients seem to understand and accept this method.

#### The Multiple Factor Approach

The Multiple Factor Approach is a method often used to fix attorneys' fees in nonprobate matters. The ABA's *Model Code of*

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11. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1175-76 (1984) (footnotes omitted). Use of the time spent standard also creates problems as to (1) whether to bill for time spent by secretaries, paralegals, and others who perform estate administration services and (2) if these services are to be billed, the hourly rate at which they are to be billed.

12. See discussion, *infra*, under "Policy Issues and Recommendations--Concern That Courts Will Not Allow Fair Reasonable Fees."

13. Attorneys responding to the Commission's questionnaire stated:  
"Clients are suspicious enough of attorneys and would not trust an hourly or other rate where they would have no way to check the time actually expended."  
"The current percentage method is easy for the client to understand. There can be no disputes as to how long it took to complete task (i.e., too many hours expended)."

*Professional Responsibility (ABA Code)* and the ABA's *Statement of Principles Regarding Probate Practices and Expenses (ABA Statement)* use this approach to fix attorneys' fees for probate of an estate.

The *Stein Study* contains an excellent summary of the *ABA Code* and *ABA Statement*:<sup>14</sup>

The *ABA Code* instructs attorneys to consider the time and labor required, the novelty and difficulty of the questions involved, the skill necessary to perform properly, the likelihood that acceptance of the particular employment will preclude other employment, the fee customarily charged in the locality for similar legal services, the amount involved and the results obtained, the time limitations imposed by the client or by the circumstances, the nature and length of the professional relationship with the client, the experience, reputation, and ability of the lawyer or lawyers performing the services, and whether the fee is fixed or contingent. The *ABA Statement* specifically addresses attorney fee charging in the probate area, concluding that the overall costs of settlement of a decedent's estate should be fair and reasonable in the light of the circumstances of the particular estate and therefore that the attorney's fee should bear a reasonable relationship to the value of the services rendered and the responsibility assumed. The *ABA Statement* condemns rigid adherence to statutory or recommended commission or fee schedules as frequently unfair to beneficiaries of estates, to personal representatives, or to the attorney.

The *ABA Statement* further provides that attorneys who serve as personal representatives are entitled to compensation for both their legal services and their services as personal representative, and attorneys performing some or all of the normal duties of the personal representative should receive increased compensation for the additional work involved. Similarly, when an attorney delegates certain normal duties to be performed by others, the attorney's compensation should be commensurately lower. Finally, attorneys who perform services with regard to nonprobate property should be compensated reasonably for those services.

The *Stein Study* summarizes the advantages and disadvantages of the multiple factor approach:<sup>15</sup>

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14. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1174 (1984) (footnotes omitted).

15. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1177-78 (1984) (footnote omitted; new footnote added).

[The multiple factor approach] is certainly more sensitive to all relevant considerations in an individual estate than percentage fee charging or even a time spent system would be. This multiple factor approach, however, may require a court to examine a great deal of evidence to determine what fees are reasonable, leading many probate judges to indicate a preference for percentage fee charging because it is more easily supervised. Indeed, no matter what approach is formally used, most judges probably begin with some variant of the percentage fee standard in determining the prima facie reasonableness of fees charged in an estate administration. Only if the fee exceeds that standard would the judge closely scrutinize it.

At some point, attempts to regulate attorneys' fees may become self-defeating. If attorneys must, in every case, make special efforts to justify their fees, they will charge for the time these efforts entail as a required task in the estate administration. The net result of close court supervision may thus be little or no cost reduction to consumers of legal services. Furthermore, if courts approve requested attorneys' fees in estate administration only if they are less than those attorneys generally demand for their services, attorneys may seek compensation in a manner not subject to court review, such as through compensation directly from personal representatives or from the beneficiaries' own funds.<sup>16</sup> Because such payments would not come from estate funds, they would not necessarily be included in the accounting for estate expenses submitted for court approval.

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16. A California lawyer who believes that the statutory fee is inadequate may make a separate agreement with the beneficiary for an additional fee for work in connection with nonprobate assets, such as insurance, employee benefit plans, joint tenancies, and the like. This additional fee is not subject to court approval. On the other hand, the lawyer may do this additional work without an extra charge if the lawyer believes that the statutory fee is adequate to cover the additional work under the circumstances of the particular case. The responses to the Questionnaire indicate that most attorneys charge an additional fee for work in connection with nonprobate assets in not less than 10 percent of the estates they handle. About 30 percent of the respondents stated that they never charged an additional fee for work in connection with nonprobate assets. About 17 percent charge an additional fee in at least half of the estates they handle. See Appendix 1, Table E (Charging Additional Fee Not Approved by Court).

## FEE CHARGING IN CALIFORNIA

### Introduction

The California method of fixing attorneys' fees in estate administration is a combination of the percentage fee method and a reasonable fee method. The attorney's fee for ordinary services is determined using a statutory schedule.<sup>17</sup> In addition to this statutory fee for ordinary services, the attorney is entitled to such amount as the court determines to be just and reasonable for extraordinary services.<sup>18</sup>

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17. Prob. Code § 901. See discussion, *infra*, under "The Statutory Fee Schedule." The fee schedule applies only where there is a formal probate proceeding. Where there is no formal probate proceeding, the fee is determined by agreement between the parties and is not subject to court approval. See discussion, *infra*, under "Attorneys' Fees Where No Formal Probate Proceeding."

The decedent's will may make provision for compensation of the attorney and that shall be "a full compensation" for the attorney's services unless by written instrument, filed with the court, the attorney renounces the compensation provided for in the will. If the attorney renounces the compensation provided in the will, the attorney is entitled to receive compensation as provided by statute. See Prob. Code § 910 (incorporating the provisions relating to compensation of personal representatives).

Usually, the personal representative who is also an attorney may receive the personal representative's compensation but not the attorney fee. *In re Estate of Parker*, 200 Cal. 132, 251 P. 907 (1926); *Estate of Downing*, 134 Cal. App. 3d 256, 184 Cal. Rptr. 511 (1982). However, where expressly authorized by the decedent's will, dual compensation may be paid to one person acting in both capacities. *Estate of Thompson*, 50 Cal. 2d 613, 328 P.2d 1 (1958).

18. Prob. Code § 910. See discussion, *infra*, under "Additional Compensation for Extraordinary Services."

### The Statutory Fee Schedule

The statutory fee schedule sets the attorney's fee as percentages of the "estate accounted for" by the personal representative,<sup>19</sup> with higher percentages payable for smaller estates.<sup>20</sup> The statutory fee in effect during 1987 (Probate Code § 901) may be computed from the following table:

<b>Table 1. Statutory Attorney Fee Schedule</b>			
(Probate Code Sections 901 and 910. Additional amounts may be allowed for extraordinary services.)			
Estate Accounted For		Attorney's Fee	
(1) From	(2) To	(3) Fees on (1)	(4) Plus % on excess of (2) over (1)
\$ -0-	\$ 15,000	\$ -0-	4%
15,000	100,000	600	3%
100,000	1,000,000	3,150	2%
1,000,000	10,000,000	21,150	1%
10,000,000	25,000,000	111,150	1/2%
25,000,000+		186,150	Reasonable amount (determined by court)

19. Prob. Code § 910 (incorporating the provisions of Probate Code Section 901). The "estate accounted for" is based on the fair market value of the real and personal property of the estate without subtracting any encumbrances on the property. Prob. Code § 901 ("estate accounted for" is "the total amount of the inventory plus gains over appraisal value on sales, plus receipts, less losses on sales, without reference to encumbrances or other obligations on property in the estate" whether or not a sale of property has taken place during probate). For a discussion of the property or values included in determining the "estate accounted for," see Feinfeld, *Fees and Commissions*, in 2 California Decedent Estate Practice §§ 20.16-20.24 (Cal. Cont. Ed. Bar 1986).

The setting of the attorney fee using the statutory rate schedule is within the "state action exemption" of the Sherman Antitrust Act and does not violate federal antitrust laws. Estate of Effron, 117 Cal. App. 3d 915, 173 Cal. Rptr. 93, appeal dismissed, 454 U.S. 1070 (1981).

20. See Prob. Code § 901.

The following table shows the statutory attorney fee on estates of various sizes.

<b>Table 2. Statutory Attorney Fee on Various Size Estates</b>			
Amounts determined from statutory fee schedule under Probate Code Sections 901 and 910 and do not include additional amounts that may be allowed for extraordinary services.			
<u>Size of Estate</u>	<u>Fee</u>	<u>Size of Estate</u>	<u>Fee</u>
\$10,000	\$ 400	\$ 150,000	4,150
20,000	750	200,000	5,150
30,000	1,050	250,000	6,150
40,000	1,350	300,000	7,150
50,000	1,650	400,000	9,150
60,000	1,950	500,000	11,150
70,000	2,250	800,000	17,150
80,000	2,550	1 million	21,150
90,000	2,850	2 million	31,150
100,000	3,150	5 million	61,150
		10 million	111,150

Absent a contractual agreement for a lower fee, the attorney has the absolute right to receive the amount of the statutory fee, without regard to whether that amount is reasonable under the circumstances of the particular case.<sup>21</sup>

21. Estate of Getty, 143 Cal. App. 3d 455, 191 Cal. Rptr. 897 (1983). See generally Estate of Effron, 117 Cal. App. 3d 915, 173 Cal. Rptr. 93, *appeal dismissed*, 454 U.S. 1070 (1981). The right to receive the statutory fee is subject to Probate Code Section 1025.5, which permits the court to reduce the fee if the time taken for the administration of the estate exceeds the time set forth by statute or prescribed by the court and the court finds that the delay in closing the estate was caused by factors within the attorney's control and was not in the best interests of the estate.

The statutory fee schedule has the same advantages as percentage fee charging. The fee for ordinary services can be determined easily and with certainty. The "estate accounted for" is determined using the inventory and appraisal of the estate property and certain transactions that occur during the administration of the estate.<sup>22</sup> The statutory fee schedule is applied to that amount to determine the fee. The statutory fee is routinely allowed by the court; the attorney need not produce information for review by the court so that the court can determine that the fee is reasonable.<sup>23</sup>

The obvious disadvantage to the client of using the statutory fee schedule is that the fee may be grossly excessive for a large, simple estate.<sup>24</sup> This disadvantage is a real one, since as a matter of practice the statutory fee is the minimum fee in California.<sup>25</sup> Responses to the Questionnaire indicate that the great majority (93.3%) of California probate attorneys "ordinarily charge the full statutory fee in a regular probate administration."<sup>26</sup> Most (53.9%) reported that they never charge less than the statutory fee. Eighty-five percent reported that they charge less than the statutory fee in 10 percent or less of the probate estates they handle. Table C (Charging Less Than Statutory Fee), Appendix 1, shows the extent to which the attorneys responding to the Questionnaire reported that they charged less than the statutory fee.

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22. See note 19, *supra*.

23. The attorney must provide the court with information showing that the statutory fee was calculated in accordance with the statutory requirements. See text, *infra*, at notes 118-122.

24. See responses to Questionnaire. E.g., "Statutory fee structure is generally high in estate of \$100,000 or more if attorney is skilled probate attorney. Very frequently attorney receives an average of \$400-\$600 per hour for time spent."

25. The attorney is entitled to the statutory fee unless the court approves a higher fee or the client negotiates a lower fee. Estate of Getty, 143 Cal. App. 3d 455, 191 Cal. Rptr. 897 (1983).

26. See Appendix 1, Table F (Attorneys Who Ordinarily Charge Full Statutory Fee). The responses to the Questionnaire indicate that clients generally are not aware of their ability to negotiate a lower fee or, if they are aware, either do not request or are unable to negotiate a lower fee. See text, *infra*, at note 67.



## Additional Compensation for Extraordinary Services

### Introduction

The California lawyer is protected to some extent from the primary disadvantage to the attorney of percentage fee charging--the grossly inadequate fee. The lawyer may request the court to authorize a reasonable additional fee for "extraordinary services."<sup>27</sup>

Section 910 of the Probate Code provides that the estate attorney is allowed out of the estate the amount determined by the statutory fee schedule for "conducting the ordinary probate proceedings" "and such further amount as the court may deem just and reasonable for extraordinary services."

There is a lack of clarity in the court rules and judicial decisions as to which legal services are ordinary and deemed to be fully compensated out of statutory fees and which legal services are not ordinary and for which extraordinary compensation may be allowed.<sup>28</sup> For example, Fresno County treats services in connection with a family allowance as ordinary probate services<sup>29</sup> but San Joaquin County allows additional compensation for a petition for a family allowance.<sup>30</sup>

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27. Prob. Code § 910 (court may allow such additional amount "as the court may deem just and reasonable for extraordinary services"). Courts in other states using a fee schedule for probate (whether by statute, court rule, or custom) usually permit larger legal fees where extraordinary work is involved. See Annot., 58 A.L.R.3d 317, 324 (1974).

28. See Report of Ad Hoc Committee on Attorney Fees in Probate (Los Angeles County, May 15, 1985), reprinted as appendix to Los Angeles County Probate Policy Memorandum in California Local Probate Rules (8th ed. Cal. Cont. Ed. Bar 1987), at 19-89.

29. Fresno County Probate Policy Memorandum (effective as amended July 1, 1986), Paragraph 9.4(b). The great majority of attorneys who responded to the Questionnaire indicated that they are not awarded additional compensation for services in connection with a family allowance, but a few indicated that they had been awarded additional compensation for those services.

30. San Joaquin County Probate Rules (effective January 1, 1986), Rule 4-708(A)(8).

### Distinction Between Ordinary Services and Extraordinary Services

Ordinary services. The Fresno County Probate Policy Memorandum contains a listing of ordinary services compensated by the statutory fee:<sup>31</sup>

The Court views the following services as coming within the definition of "conducting the ordinary probate proceedings" (Probate Code Section 910) and no extraordinary fee will be allowed:

- (1) Meeting with client to discuss Petition for Probate, assets, heirs, notices, review Will;
- (2) Petition for Special Letters of Administration;
- (3) Preparation of Petition for Probate and other papers to appoint personal representative, including locating Will and heirs/beneficiaries;
- (4) Order publication and mailing of Notice of Death;
- (5) Preparation and service of Notice of Death;
- (6) Preparation of supplements or declarations;
- (7) Separate Petition for Authority under Independent Administration of Estates Act;
- (8) Petition for Appointment of Successor Representative;
- (9) Preparation of inventory/inventories;
- (10) Incidental expenses, including local telephone calls, usual postage, photocopying, paralegal and secretarial services (but see Paragraph 8.2 [reimbursement for duplication, photocopying, postage, travel and telephone costs]);
- (11) Handling debts and claims, including acceptance, rejection and payment (unless disputes arise necessitating compromise or litigation);
- (12) Family allowance;
- (13) Preparation of Inheritance Tax Declaration (IT-22);
- (14) First status report under Probate Code Section 1015.5;
- (15) Account and Report Current;
- (16) Petition for Preliminary Distribution;
- (17) Petition for Statutory or Extraordinary Fees and Commissions, declarations and hearings thereon;
- (18) Final Report or Account and Petition for Distribution;
- (19) Supervising distribution and discharge;
- (20) Preparation of required notices and orders.

A study made by an ad hoc committee appointed in 1984 by the Presiding Judge of the Probate Department of the Los Angeles County

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31. Fresno County Probate Policy Memorandum (effective as amended July 1, 1986) para. 9.4(b).

Superior Court identified ordinary probate services in a manner consistent with the Fresno County provision set out above.<sup>32</sup>

Extraordinary services. Probate Code Section 902 lists certain services that are extraordinary services if rendered by a personal representative. The statute governing compensation of attorneys (Probate Code Section 910) states that additional compensation is allowed for extraordinary services but does not specify what constitutes extraordinary services. "However, any work done by either attorney or representative in connection with the services specified in PC § 902 is deserving of extraordinary compensation."<sup>33</sup> The following services are listed as extraordinary services in Section 902:

- Sales or mortgages of real or personal property.
- Contested or litigated claims against the estate.
- Good faith defense of a will which is contested after it is admitted to probate.
- Successful defense of a will which is contested before it is admitted to probate.
- Preparation of estate, inheritance, income, sales or other tax returns or adjustment, litigation, or payment of any of these taxes.

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32. See Report of Ad Hoc Committee on Attorney Fees in Probate (May 15, 1985), reprinted as appendix to Los Angeles County Probate Policy Memorandum in California Local Probate Rules (8th ed. Cal. Cont. Ed. Bar 1987), at 19-89, 19-94.

There are only a few minor differences from the Fresno County Probate Policy Memorandum in the listing of ordinary services in the ad hoc committee report:

(1) A Petition for Special Letters of Administration is considered an ordinary service by the ad hoc committee "if ex parte (if contested, extra fee to attorney for appointed special administrator, if beneficial to estate)."

(2) The Inheritance Tax Declaration is considered an ordinary service by the ad hoc committee "if death before June 8, 1982, except if dispute with Probate Referee or State Controller."

(3) The Petition for Preliminary Distribution is considered as an ordinary service by the ad hoc committee if "with or without bond (Probate Code Secs. 1000, 1004)."

33. 1 A. Marshall, California Probate Procedure § 1715, at 17-283 (1986).

--Litigation in regard to property of the estate.

--Carrying on the decedent's business pursuant to court order.

--Other litigation or special services necessary for the personal representative to prosecute, defend, or perform.

The following more comprehensive listing is drawn from the nonexclusive listing in the Los Angeles County Probate Policy Memorandum of extraordinary services for which additional fees may be allowed:<sup>34</sup>

--Sale, lease, exchange, mortgage, or foreclosure of real property (including vacating same).

--Sales and leases under the Independent Administration of Estates Act.

--Sale or mortgage of personal property.

--Negotiation or litigation of claims against the estate.

--Preparation of tax returns for, or the adjustment, litigation or payment of, estate, income (individual or fiduciary), sales, or other taxes.

--Litigation in regard to the property of the estate, such as eminent domain, collection of funds, quiet title, petition to hire special counsel for litigation, and unlawful detainer.

--Carrying on decedent's business.

--Will contest.

--Other litigation or special services necessary for the personal representative to prosecute, defend, or perform, including but not limited to the following:

(a) Construction or interpretation of will.

(b) Defense of personal representative's account.

(c) Borrowing of money.

(d) Extraordinary efforts to locate estate assets.

(e) Heirship proceedings brought by a personal representative (personal representative has no duty to defend against such a petition by another).

(f) Petition for instructions with a showing of actual need for the instructions.

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34. Los Angeles County Probate Policy Memorandum (effective July 1, 1986), § 15.08(3).

- (g) Petition for authority to give deed in lieu of foreclosure or condemnation.
- (h) Petition to complete a contract (Probate Code Sections 9860-9868, effective July 1, 1988).
- (i) Termination of joint tenancy of predeceased joint tenant.
- (j) Account on behalf of a deceased or disabled representative.
- (k) Establish fact of simultaneous death.
- (l) Proceedings under Probate Code Sections 613 and 615.

**Extent to Which Attorneys Request Additional Compensation for Extraordinary Services**

The responses to the Questionnaire reveal that some attorneys (14.3%) never request additional compensation for extraordinary services. A few (1.6%) request additional compensation in every estate proceeding. Some do not request additional compensation if the compensation under the statutory fee schedule covers the time worked on the estate. Most request additional compensation in at least 25 percent of their probate cases, and 80 percent request additional compensation in at least 10 percent of their probate cases. The responses are summarized in Appendix 1, Table D (Charging Extraordinary Fees).

Determining the Amount of Additional Compensation for Extraordinary Services

In determining the amount of additional compensation for extraordinary services, the court may consider not only the time spent but also such factors as the value of the estate, the skills exercised, the amount in dispute, and the results obtained.<sup>35</sup> Local court rules may provide a more detailed statement of the factors that will be taken into account in determining what constitutes reasonable compensation for extraordinary services.<sup>36</sup>

The additional compensation awarded by the trial court will be upheld on appeal unless it appears so clearly out of proportion to the services performed as to be an abuse of discretion.<sup>37</sup>

When evaluating requests for extraordinary compensation, many courts will take the statutory compensation into account in determining whether the lawyer has been compensated adequately for all services

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35. Estate of Beach, 15 Cal. 3d 623, 645, 125 Cal. Rptr. 570, 542 P.2d 994 (1975). In this case, the Supreme Court upheld the trial court award of an additional attorney fee of \$14,500 for defending against a contest of the personal representative's account. The award was based not only on the trial court's observation of the contest proceedings but also upon an evidentiary hearing at which the attorneys submitted time records itemizing the services of their firm in the matter and showing that they would be entitled to compensation of over \$24,000 based on hourly rates of \$70 for the partner, \$40 for the associate, and \$15 for law student research clerks.

36. See text, *infra*, at notes 113-14.

37. Estate of Beach, 15 Cal. 3d 623, 645, 125 Cal. Rptr. 570, 542 P.2d 994 (1975).

rendered.<sup>38</sup> This is a good reason why the attorney should maintain a record of time worked for each estate in which there may be a request for additional compensation for extraordinary services.<sup>39</sup>

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38. E.g., Alameda County Probate Policy Manual (approved by court January 16, 1986), §§ 1006(7), 1007 (amount of statutory fee considered; but, in considering requests for extraordinary fees in connection with sales of real property, preparation of federal estate tax return, and other tax-related services, court ordinarily will not require extensive explanation of services performed where the amount requested is the amount specified in the manual as a reasonable amount for the service); Fresno County Probate Policy Memorandum (effective as amended July 1, 1986), para. 9.5(b)(10), (c) (amount of statutory fee considered; but, in considering requests for extraordinary fees in connection with sales of real property and preparation of federal estate tax return, court will not take into consideration amount of the statutory fee where amount requested is amount specified in the policy memorandum as a reasonable amount for the service); Los Angeles County Probate Policy Memorandum (effective July 1, 1986), § 15.08(1)(F); Marin County Rules of Probate Practice (effective January 1, 1984), Rule 1204 (application for extraordinary compensation "must be buttressed by representations as to time records which reflect the number of hours required for the completion of the ordinary services performed by the attorney . . . on behalf of the estate." However, requirement concerning time records does not apply where extraordinary fees are requested for preparation of state and federal income and estate tax returns and resolution of problems attendant upon them, or sales of real estate where attorney is able to demonstrate a significant contribution in the form of services usually furnished by a real estate broker); Santa Barbara County Probate Rules (effective September 1, 1985), Rule 414(H)(3) (where statutory fee is substantial, court will consider statutory fee in determining whether extraordinary fees are appropriate); Santa Cruz County Probate Rules (effective January 1, 1986), Rule 405 (in evaluating justification for award of fees for extraordinary services, court will consider the statutory fee and determine whether it is adequate compensation for all services rendered by attorney. But extraordinary compensation will be paid without considering statutory fee where service is (1) preparation of fiduciary tax returns and resolution of problems arising upon audit of such returns (payments made to accountants or other tax preparers for such services and charged to the estate must be set forth in the request for extraordinary compensation and subtracted from the amount requested) and (2) sales of real estate without a broker. See also Estate of Walker, 221 Cal. App. 2d 792, 34 Cal. Rptr. 832 (1963); Estate of Buchman, 138 Cal. App. 2d 228, 291 P.2d 547 (1955).

39. See discussion, *infra*, under "Keeping Time Records."

Lawyers who responded to the Questionnaire had different views concerning the adequacy of the additional fees allowed for extraordinary work. Some reported that the courts are reluctant to allow additional fees and that the fees allowed were inadequate; others indicated satisfaction with the additional fees awarded by the court.<sup>40</sup>

#### Attorneys' Fees Where No Formal Probate Proceeding

In a significant number of cases, no probate proceeding is necessary in California because all of the decedent's property is governed after death by the terms of a living trust or consists of joint tenancies, assets transferred upon death under pay-on-death provisions or under beneficiary designations in life insurance policies

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40. Lawyers responding to the Questionnaire commented:

"Statutory fee is of substantial benefit to smaller estates, where extraordinary fees normally are not recoverable and attorney's hourly rates for time expended often exceed recoverable fee."

". . . to the extent the statutory fee is inadequate, extraordinary compensation is available (although courts are increasingly reluctant to grant it)."

"I am tired of the prejudice against paying my fee from both the courts and the clients. The courts feel it's absolutely necessary to reduce extraordinary fees."

". . . the schedule for estates under \$100,000 is generally inadequate to compensate the attorney for his overhead and professional time."

On the other hand, one attorney commented: "I have handled estates where there has been real property of a value of \$500.00 or \$1,000.00 or \$2,000.00 or \$3,000.00, and obviously 4% of these values does not begin to pay for the work. Fortunately the courts have been generous in allowing extraordinary fees, but I would suggest a minimum of \$250.00 to \$300.00."

See also, the discussion, *infra*, under "Policy Issues and Recommendations--Concern That Courts Will Not Allow Fair Reasonable Fees."



and employee benefit plans, and similar assets.<sup>41</sup> If the services of an attorney are used in connection with these nonprobate transfers, the fee is determined by agreement and is not approved or reviewed by a court.<sup>42</sup>

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41. For example, a living trust is often prepared as a part of the estate planning services provided to a wealthy client. Upon the death of the client, the disposition of the client's property is governed by the provisions of the trust. The trustee has authority to hire an attorney after the client's death; and the attorney's compensation is governed by agreement between the trustee and the attorney and is not subject to court approval but is subject to court review for abuse of the trustee's discretion. Prob. Code §§ 16247 (hiring), 17200 (court passing on acts of trustee, including the exercise of discretionary powers).

The fee of the attorney for services in connection with the transfer of title for joint tenancies, pay-on-death provisions, and the like, is governed by agreement between the parties and is not subject to court approval or review.

Approximately 30 percent of the attorneys who responded to the Questionnaire estimated that at least half of the decedent's estates they handled included no significant amount of probate assets. Approximately 56 percent reported that at least 20 percent of the decedent's estates they handled included no significant amount of probate assets. The results of the survey are presented in Appendix 1, Table B (Estates Having Insignificant "Probate Assets"). To some extent, the difference in the responses may be attributable to the extent to which the attorney engages in pre-death planning for his clients. One attorney reported: "A large portion of my practice is trusts." Another stated: "I always use living trusts for my wealthy clients . . ."

In addition, there are cases where no attorney is involved. If a decedent leaves only tangible personal property, the relatives of the decedent often pay the decedent's debts and divide the decedent's property among themselves without consulting an attorney. Even where there is a registered title to tangible personal property, the title may be transferred without the assistance of an attorney. For example, there is a simple affidavit procedure for transfer of registered title to a motor vehicle. See note 46, *infra*.

42. If an affidavit procedure is used in connection with these nonprobate transfers, the attorney's fee is determined by agreement between the attorney and client and is not subject to court approval.

Where one spouse dies and the surviving spouse takes all the property of the deceased spouse, no formal probate proceeding is required. A simple court procedure is available for the determination or confirmation of property passing or belonging to the surviving spouse.<sup>43</sup> The attorney's fee for services in connection with this procedure is determined by private agreement between the attorney and the client and is not subject to approval by the court.<sup>44</sup>

Formal probate also can be avoided where the value of the decedent's real and personal property in this state does not exceed \$60,000.<sup>45</sup> Two simple procedures can be used for the estate of \$60,000 or less:

—An affidavit procedure can be used to collect or transfer the decedent's personal property.<sup>46</sup>

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43. Prob. Code §§ 13650-13660.

44. Prob. Code § 13660. If there is no fee agreement and there is a dispute concerning the reasonableness of the attorney's fee, the court may be requested to determine the reasonableness of the fee. *Id.*

45. The following property is excluded in determining the value of the property of the decedent: joint tenancy property, property in which the decedent had a life or other interest terminable upon the decedent's death, property which passed to the decedent's surviving spouse, multiple-party accounts to the extent sums on deposit belong after the death of the decedent to a surviving party, P.O.D. payee, or beneficiary, certain vehicles, vessels, manufactured homes, mobilehomes, commercial coaches, truck campers, and floating homes, amounts due for services in armed forces of the United States, and not more than \$5,000 of earnings owed to the decedent for personal services. Prob. Code § 13050.

46. Prob. Code §§ 13100-13115. Special provisions permit transfer of registration of state registered property without probate if the decedent did not own other property that would require probate of the decedent's estate. See Health & Safety Code § 18102 (manufactured home, mobilehome, commercial coach, truck camper, or floating home); Veh. Code §§ 5910 (vehicle), 9916 (vessel). A special affidavit procedure permits the surviving spouse to collect compensation, not exceeding \$5,000, owed by an employer to the decedent, without regard to the value of the decedent's real and personal property in this state. Prob. Code § 13600.

--A summary procedure can be used to obtain a court order determining succession to real property.<sup>47</sup>

When one of these procedures is used, the attorney's fee is determined by agreement between the attorney and client and is not subject to court approval.<sup>48</sup>

Where the gross value of the decedent's real property in California does not exceed \$10,000, a simple procedure may be used to make the real property title records reflect the transfer of the property to the decedent's heirs or beneficiaries.<sup>49</sup> The attorney's fee for services in connection with this procedure is determined by agreement between the attorney and client and is not subject to approval by the court.

#### Keeping Time Records

Since the attorney is entitled to the statutory fee as a matter of right,<sup>50</sup> the attorney need not keep a record of time worked on the estate proceeding to justify the statutory fee. Nevertheless, some attorneys do maintain time records because they ordinarily charge the

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47. Prob. Code §§ 13150-13157.

48. No court proceeding is involved when the affidavit procedure is used. Where a proceeding is brought to obtain a court order determining succession to real property, a specific statutory provision makes clear that the attorney's fee is determined by private agreement and is not subject to court approval. Prob. Code § 13157.

49. Prob. Code §§ 13200-13209. If the gross value of all real property in the decedent's estate located in California does not exceed \$10,000, this procedure can be used without regard to the total value of the decedent's real and personal property. Prob. Code § 13200. Real property described in Probate Code Section 13050 (see note 46, *supra*) is excluded in determining the value of the real property. Prob. Code § 13200.

50. Estate of Getty, 143 Cal. App. 3d 455, 191 Cal. Rptr. 897 (1983).

personal representative on a time worked basis if the fee computed on that basis would be less than the statutory fee.<sup>51</sup> Other attorneys record the time worked so they can justify an additional fee for extraordinary services.<sup>52</sup>

The Questionnaire requested information concerning whether the attorney kept a record of time worked.<sup>53</sup> About two-thirds of the attorneys reported that they keep a record of time worked for probate estates and use the record in determining fees. Since more than 90 percent of the attorneys ordinarily charge the full statutory fee,<sup>54</sup> the primary use of the time record appears to be to justify the award of an additional fee for extraordinary work.

For nonprobate administration, about 90 percent reported that they keep and use a record of time worked in determining their fees. For nonprobate administration, the fee is a matter of agreement between the attorney and client; there is no statutory fee schedule and the fee is not subject to approval by the court.<sup>55</sup> Presumably, the 10 percent who do not keep a record charge a flat fee for nonprobate tasks or use some other fee fixing method that does not require a record of the time worked.

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51. One respondent to the Questionnaire states: "We're way off base now. My fee nearly always is based on hourly basis because I have ongoing business relationships with these people, who also are friends."

52. When evaluating requests for extraordinary compensation, many courts will consider whether the statutory compensation is in part or whole sufficient to compensate adequately for all services that have been rendered. This may require a record of time worked for all aspects of the estate proceeding, not just the extraordinary services.

One respondent to the Questionnaire states: "I always keep track of my time, and I only charge extraordinary fees to the extent the statutory fee doesn't cover my rates."

53. The responses are summarized in Appendix 1, Table I (Keeping "Time Worked" Record).

54. See Appendix 1, Table F (Attorneys Who Ordinarily Charge Full Statutory Fee).

55. See discussion, *supra*, under "Attorneys' Fees Where No Formal Probate Proceeding."

### Use of Paralegal Assistants

The Questionnaire requested information concerning use of paralegal assistants in probate practice.<sup>56</sup> Half of the attorneys use a paralegal assistant, and more than 70 percent of the attorneys who use a paralegal assistant keep a record for each estate of the time the paralegal works on that estate. In claims for additional fees for extraordinary services, more than 60 percent of the attorneys show the cost for the services of the paralegal assistant at a paralegal's rate in justifying the additional fee.<sup>57</sup>

### Fee Agreements

Public concern about attorney fees is not limited to the probate area. Legislation requiring written attorney fee contracts for all types of legal services went into effect on January 1, 1987.<sup>58</sup> This new consumer protection statute expands the former provisions relating to contingency fee contracts to require written contracts when a contingency fee is not being used and there is a reasonable foreseeability that the total expense to the client will exceed \$1,000.<sup>59</sup>

The contract must include all of the following: (1) the hourly rate and other standard fees applicable to the case, (2) the general nature of the legal services to be provided, and (3) the respective responsibilities of the attorney and the client.<sup>60</sup> In addition, all bills for services rendered must state the amount, rate, and basis for

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56. The responses are summarized in Appendix 1, Table J (Paralegal Assistants).

57. For legislation enacted in 1987 concerning charging for paralegal services, see AB 1334 [Chapter 358].

58. 1986 Cal. Stat. ch. 475, §§ 6, 7 (codified as Bus. & Prof. Code §§ 6147, 6148).

59. Bus. & Prof. Code § 6148(a).

60. Bus. & Prof. Code § 6148(a).

calculation; and, upon the client's request, the attorney must, within 10 days, provide a bill.<sup>61</sup> Failure to comply with any of these provisions renders the agreement voidable at the client's option, and the attorney is then entitled to collect a reasonable fee.<sup>62</sup>

The new statute lists the following exceptions to the written contract requirement:<sup>63</sup> emergency services,<sup>64</sup> fee arrangements implied by previously performed services of a similar nature, written statements by the client stating that a written contract concerning fees is not required,<sup>65</sup> and agreements with corporate clients.

The new statute does not contain any exception for administration of a decedent's estate. Nevertheless, some attorneys believe that a written contract is unnecessary for probate administration. Under the new statute, the attorney may collect a reasonable fee if there is no written contract. Attorneys who think that a written fee contract is unnecessary believe that the statutory provisions governing the attorney fee for probate administration determine what constitutes a reasonable fee. Accordingly, without a written fee contract, they believe the probate attorney is entitled to the fee determined under the statutory fee schedule for ordinary services and any additional fee awarded by the court for extraordinary services. On the other hand, since the new statute provides that the attorney is entitled only to a "reasonable fee" where there is no written fee contract, the probate

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61. Bus. & Prof. Code § 6148(b) (the client is entitled to request a bill every 30 days).

62. Bus. & Prof. Code § 6148(c).

63. Bus. & Prof. Code § 6148(d).

64. Bus. & Prof. Code § 6148(d) (services provided to avoid foreseeable prejudice to the client's rights or interests or where a writing is impractical).

65. Bus. & Prof. Code § 6148(d)(3) (given by client after full disclosure of the statutory requirements concerning written fee contracts).

court may be unwilling to rely on the statutory fee schedule and may require the probate attorney to show the fee charged is in fact reasonable under the circumstances of the particular case.

The Questionnaire requested information concerning the usual practice followed by probate practitioners concerning fee agreements.<sup>66</sup> The information obtained reflects the practice before enactment of the new statute requiring written fee agreements. More than one-third (37.4%) of the respondents reported that they usually have no fee agreement with their clients. Of the remaining respondents, two-thirds usually have only an oral fee agreement, and one third usually have a written fee agreement.

It is not surprising that attorneys ordinarily do not make fee agreements for probate of estates and that the agreements, if made, ordinarily merely adopt the statutory fee schedule to determine the amount of the attorney fee. Clients do not appear to be aware of their right to negotiate a lower fee or, if aware, either do not request or are unable to negotiate a lower fee.<sup>67</sup> And unless the client negotiates an agreement for a lower fee, the attorney is entitled to the statutory fee and an additional fee allowed by the court for extraordinary services.<sup>68</sup>

The new statute that requires a written fee contract will make a dramatic change in the practice of probate practitioners if they comply with its requirements.<sup>69</sup> Responses to the Questionnaire reveal that more than two-thirds of the attorneys never have written fee contracts,

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66. See Appendix 1, Tables K (Fee Agreements), L (Written Fee Agreement), and M (Oral Fee Agreement).

67. Most probate attorneys (53.9%) never charge less than the statutory fee. And 85 percent charge less than the statutory fee in 10 percent or less of the probate estates they handle. See text, *supra*, at notes 25-26.

68. Estate of Getty, 143 Cal. App. 3d 455, 191 Cal. Rptr. 897 (1983).

69. For a sample written fee contract between the attorney and the personal representative, see "Sample Employment Agreement (Form 1:A)", in B. Ross & J. Swink, California Practice Guide Probate 1-67 (The Rutter Group rev. #1 1987). This form agreement adopts the statutory fee schedule for determining the fee for ordinary services rendered during estate administration. There is no indication in the agreement that the attorney and client are free to negotiate a lower fee.

and 80 percent of the attorneys have written fee contracts in not more than 10 percent of the estates they handle.<sup>70</sup> Whether or not probate practitioners will comply with the new statute probably will depend on whether the courts will review the reasonableness of the statutory probate fee in view of the services actually provided to the particular estate.

**UNIFORM PROBATE CODE METHOD OF FIXING COMPENSATION OF ESTATE ATTORNEY**

The method most commonly used in other states to fix the compensation of the estate attorney is the Uniform Probate Code (UPC) method.

The UPC gives the personal representative the power to employ attorneys and fix their compensation. The UPC also provides a procedure by which an interested person can obtain court review of the propriety of employment of the attorney and the reasonableness of the attorney's compensation.

Under Section 3-715 of the Uniform Probate Code:<sup>71</sup>

. . . a personal representative, acting reasonably for the benefit of the interested persons, may properly:

\* \* \*

(21) employ persons, including attorneys, auditors, investment advisors, or agents, even if they are associated with the personal representative, to advise or assist the personal representative in the performance of his administrative duties; act without independent investigation upon their recommendations; and instead of acting personally, employ one or more agents to perform any act of administration, whether or not discretionary.

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70. See Appendix 1, Table L (Written Fee Agreement). More than one-third of the attorneys did not have even an oral agreement. See Appendix 1, Table M (Oral Fee Agreement).

71. Unif. Prob. Code § 3-715(21) (6th ed. 1982). The personal representative has this power except "as restricted or otherwise provided by the will or by an order in a formal proceeding."



Section 3-721 of the Uniform Probate Code<sup>72</sup> provides:

. . . the propriety of employment of any person by a personal representative including any attorney, auditor, investment advisor or other specialized agent or assistant, [and] the reasonableness of the compensation of any person so employed . . . may be reviewed by the Court. Any person who has received excessive compensation from an estate for services rendered may be ordered to make appropriate refunds.

The official comment to Section 3-721<sup>73</sup> reads:

In view of the broad jurisdiction conferred on the probate court by Section 3-105, description of the special proceeding authorized by this section might be unnecessary. But, the Code's theory that personal representatives may fix their own fees and those of estate attorneys marks an important departure from much existing practice under which fees are determined by the court in the first instance. Hence, it seemed wise to emphasize that any interested person can get judicial review of fees if he desires it. Also, if excessive fees have been paid, this section provides a quick and efficient remedy.

The UPC provisions have had a substantial and continuing influence on the development of the law governing the fees of estate attorneys in the various states. Most of the states that have adopted the UPC provisions substituted them for provisions that required the court to fix the attorney fees.<sup>74</sup> Listed below are the states that have

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72. Unif. Prob. Code § 3-721 (6th ed. 1982).

73. Unif. Prob. Code § 3-721, Comment (6th ed 1982).

74. Unif. Prob. Code § 3-721, Comment (6th ed. 1982).

adopted the substance of the UPC provisions:

Utah	1987 Utah Laws ch. 32, § 1.
South Carolina	1986 S.C. Acts No. 539, § 1.
Maine	1979 Me. Laws ch. 540, § 1.
Florida	1974 Fla. Laws ch. 74-106, § 1.
Minnesota	1974 Minn. Laws ch. 442.
Montana	1974 Mont. Laws ch. 365, § 1.
Nebraska	1974 Neb. Laws, L.B. 354, § 160.
Arizona	1973 Ariz. Sess. Laws ch. 75, § 4.
Colorado	1973 Colo. Sess. Laws ch. 451.
North Dakota	1973 N.D. Sess. Laws ch. 257, § 1.
Alaska	1972 Alaska Sess. Laws ch. 78, § 1.
Idaho	1971 Idaho Sess. Laws ch. 111, § 1.

Several states have a rule, similar to but antedating the UPC, allowing the personal representative to agree on a reasonable fee with the estate attorney without mandatory court review:

Arkansas	1967 Ark. Stats. No. 287, § 5.
Connecticut	1969 Conn. Pub. Acts No. 827, § 5.
Nevada	1941 Nev. Stat., pp. 210, 227, 232.
North Carolina	Lightner v. Boone, 221 N.C. 78, 19 S.E.2d 144 (1942) (administrator must pay counsel fees as a personal expense and, if proper, will be allowed on settlement of accounts).

Wisconsin also has a UPC-type provision allowing the personal representative to agree on a reasonable fee with the estate attorney without mandatory court review. 1975 Wis. Laws ch. 329, § 1.

Does adoption of the UPC lower the probate fees charged by attorneys? The experience in states adopting the UPC is summarized in a 1984 magazine article:<sup>75</sup>

In 1971, Idaho became the first state to adopt the Uniform Probate Code (UPC). . . . In the first year of its operation, it reduced the average probate fees Idaho attorneys charged from 3.5 percent of the gross estate to 1.8

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75. Spelvin, *Of Wills and Probate*, Sylvia Porter's Personal Finance, June 1984, at 84.

percent--just about half. Fourteen other states have adopted that law entirely, or its principal provisions, but the benefits have, in large measure, been retained by the probate lawyers, who are getting the same high fees for a lot less work. For instance, Pennsylvania is considered a UPC state, yet its probate fees, according to HALT's probate manual, are among the highest in the country--as high as 7 percent in Philadelphia.

It is interesting to note that Pennsylvania has not enacted the UPC provisions governing attorney fees. Pennsylvania has no statutory provision governing probate attorney fees.

The information concerning Idaho in the 1984 magazine article appears to have been drawn from the *Kinsey Study*.<sup>76</sup> This study compared trends in administrative costs in decedents' estates in Idaho (a UPC state) and North Dakota (then not a UPC state). The study reveals that in North Dakota in 1971 the average attorney fee in a probate estate was \$1,164 and the average personal representative fee was \$1,093. These figures were virtually unchanged in 1972, being \$1,093 for attorney fees and \$1,097 for personal representative fees. By contrast, 1971 attorney and personal representative fees in Idaho were somewhat higher. The average attorney fee was \$1,441 (3.5 percent of gross estate) and the average personal representative fee was \$1,850; the median attorney fee was \$750 (3.15 percent of gross estate) and the median personal representative fee was \$860. Idaho adopted the UPC in 1972 and Kinsey found that in 1973 the average attorney fee had declined to \$1,130 (1.8 percent of gross estate) and the average personal representative fee had fallen to \$1,616; the median attorney fee was down to \$500 (2.3 percent of gross estate) and the median personal representative fee had fallen to \$800. During the same period, the average probate estate had increased from \$39,748 to \$62,723 and the median estate from \$27,708 to \$28,788.

North Dakota enacted the UPC in 1973, but no study has been found of North Dakota's experience under the UPC. However, the *Crapo Study*

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76. Kinsey, *A Contrast of Trends in Administrative Costs in Decedents' Estates in a Uniform Probate Code State (Idaho) and a Non-Uniform Probate Code State (North Dakota)*, 50 N.D.L. Rev. 523 (1974) (hereinafter referred to as "Kinsey Study").

presents follow-up information for Idaho after four years under the UPC.<sup>77</sup> Crapo surveyed probate attorneys in Idaho to determine their experience under the UPC. Of those responding to the survey, about 60 percent felt that the UPC reduced the time they required to administer a probate estate (40 percent did not) and 68 percent felt the alternative administrative modes available under the UPC were beneficial to their clients (32 percent did not). Before enactment of the UPC, a statutory fee schedule was used for attorney fees. After enactment of the code, 23 percent of the responding attorneys billed on a strict hourly basis, 59 percent on a combination of hourly basis and size and complexity of estate, 14 percent on a percentage basis, and four percent on some other basis (e.g., flat fee). Reduced attorney fees were reported by 57.6 percent of the respondents (42.4 percent saw no reduction). Of those whose fees were reduced, the average reduction was 30 percent, consistent with the numbers reported in the *Kinsey Study*. Fees of major institutional personal representatives also were reported to have declined somewhat. When asked, however, whether adoption of the UPC improved the public image of probate attorneys or the public attitude toward probate procedure, 58 percent of the responding attorneys felt it did not (42 percent felt it did).

#### THE REASONABLE FEE FIXED OR APPROVED BY COURT METHOD OF FIXING FEES

The statutes of a number of states provide that the estate attorney is entitled to a reasonable fee and require that the fee be fixed or approved by the court.

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77. Crapo, *The Uniform Probate Code--Does It Really Work?*, 1976 B.Y.U. L. Rev. 395.

In the following states, the court determines what constitutes reasonable compensation for the estate attorney:

Alabama	Ala. Code § 43-2-682 (1982).
Georgia (statute does not specifically state that compensation must be "reasonable")	Ga. Code Ann. § 53-7-10 (1982).
Illinois	Ill. Ann. Stat. ch. 110½, § 27-2 (Smith-Hurd 1978); <i>In re Estate of Grabow</i> , 74 Ill. App.3d 336, 392 N.E.2d 980 (1979) (determination of reasonable attorney fee solely within discretion of court).
Indiana	Ind. Code Ann. § 29-1-10-13 (West 1979).
Kansas	Kan. Stat. Ann. § 59-1717 (1983); <i>In re Estate of Murdock</i> , 213 Kan. 837, 519 P.2d 108 (1974) (reasonableness of attorney fee is for court determination).
Maryland	Md. Est. & Trusts Code Ann. § 7-602 (1974).
Massachusetts	Mass. Ann. Laws ch. 206, § 16 (Michie/Law Co-op. 1981); <i>id.</i> ch. 215, §§ 39-39B.
Michigan	Mich. Comp. Laws § 700.543 (19xx) (Mich. Stat. Ann. § 27.5543 (Callaghan 1980)); <i>In re Estate of Weaver</i> , 119 Mich. App. 796, 327 N.W.2d 366 (1982).
Mississippi	Miss. Code Ann. § 91-7-281 (1973).
New Jersey	<i>In re Read's Estate</i> , 24 N.J. Misc. 305, 49 A.2d 138 (1946).
New York	N.Y. Surr. Ct. Proc. Act § 2110 (McKinney 1967).
Ohio	<i>In re Hickok's Estate</i> , 159 Ohio St. 282, 111 N.E.2d 925 (1953) (judicial determination is required to fix reasonable attorney fee).
Oregon	Or. Rev. Stat. § 116.183 (1985).
Texas	<i>Morton's Estate v. Ferguson</i> , 45 S.W.2d 419 (1932) (reasonableness of attorney fee is for court to determine, not personal representative).

Under the Nevada statute, the court determines the amount of attorney's fees only where the personal representative and the attorney fail to reach agreement on the attorney's fees.<sup>78</sup>

#### STATUTORY FEE SCHEDULE AS METHOD FOR FIXING ATTORNEY FEE

California<sup>79</sup> and seven other states<sup>80</sup> use a statutory fee schedule to compute the legal fee for ordinary probate services. The statutory fee schedule applies percentage rates to specified property of the decedent's estate to determine the amount of the attorney fee. The fee schedule usually covers only the fee for ordinary probate services, and the courts in the states having a fee schedule may vary in how liberal they are in allowing additional fees for extraordinary services.<sup>81</sup>

The California attorney is entitled to the fee computed under the statutory fee schedule; the court is not authorized to reduce the fee

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78. Nev. Rev. Stat. § 150.060 (1986). The fees are "determined and allowed by the court" where there is no fee agreement, and notice and hearing are required with an opportunity for heirs or devisees to object to the fee contracted for.

79. For the California statutory rate schedule provisions, see Cal. Prob. Code §§ 901, 910 (West 1987). For a discussion of these provisions, see "Fee Charging in California," *supra*.

80. Ark. Stat. Ann. § 62-2208 (Supp. 1985); Hawaii Rev. Stat. §§ 560:3-719, 560:3-721 (1985); Iowa Code Ann. §§ 633.197, 633.198 (West 1964); Mo. Ann. Stat. § 473.153 (Vernon Supp. 1987); Mont. Code Ann. §§ 72-3-631, 72-3-633 (1985); N.M. Stat. Ann. §§ 45-3-719, 45-3-720 (1978); Wyo. Stat. §§ 2-7-803, 2-7-804 (Supp. 1987). At least one state has adopted a fee schedule by court rule. Del. Ch. Ct. R. 192 (1981). The attorneys and the courts in some other states may use an informal rate schedule for fixing or approving attorney fees. However, use of a nonstatutory schedule may create antitrust problems. See *Estate of Effron*, 117 Cal. App. 3d 915, 923, 173 Cal. Rptr. 93, *appeal dismissed*, 454 U.S. 1070 (1981).

81. California allows additional compensation for extraordinary services. Prob. Code § 910. Except for New Mexico, all of the other states having a statutory or court rule fee schedule allow additional compensation for extraordinary services: Ark. Stat. Ann. § 62-2208 (Supp. 1985); Del. Ch. Ct. R. 192 (1981) (court rule); Hawaii Rev. Stat. § 560:3-721 (1985); Iowa Code Ann. § 633.199 (West 1964); Mo. Ann. Stat. § 473.153 (Vernon Supp. 1987); Mont. Code Ann. § 72-3-633 (1985); Wyo. Stat. § 2-7-804 (Supp. 1987).

on the ground that the fee is unreasonably high.<sup>82</sup> By way of contrast, in five of the other eight states having a statutory fee schedule, the court has authority to award a reasonable fee that is less than the statutory fee.<sup>83</sup>

The American Bar Association has condemned rigid adherence to statutory fee schedules for attorneys.<sup>84</sup> Consumer groups have urged adoption of the Uniform Probate Code, primarily because it provides a reasonable fee method for fixing legal fees for probate services.<sup>85</sup> As a result, during recent years a number of states have abandoned the statutory rate schedule in favor of a reasonable fee method.<sup>86</sup>

For a comparison of the statutory fees in California with the fees in other states using a statutory fee schedule, see Table 6 in the text, *infra*, under "California Statutory Fee Schedule Compared to Fee Schedules Used in Other States."

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82. Estate of Getty, 143 Cal. App.3d 455, 191 Cal. Rptr. 897 (1983). See generally Estate of Effron, 117 Cal. App. 3d 915, 173 Cal. Rptr. 93, appeal dismissed, 454 U.S. 1070 (1981). The attorney may contract with the personal representative for a fee less than the statutory fee. *In re Estate of Goodrich*, 6 Cal. App. 730, 734, 93 P. 121 (1907); *cf.* Morrison v. Kaufman, 68 Cal. App. 2d 280, 156 P.2d 473 (1945) (additional fees). However, contracts for fees lower than the statutory fee are rare. See discussion, *supra*, under "Fee Charging In California--Fee Agreements."

83. See Table 6, *infra*, under "Comparison of California Fees with Fees Charged in Other States--California Statutory Fee Schedule Compared to Fee Schedules Used in Other States."

84. See quotation from the Stein Study, *supra*, under "Fee Charging Approaches--The Multiple Factor Approach."

85. See text, *supra*, at note 4. See also discussion in Estate of Effron, 117 Cal. App. 3d 915, 173 Cal. Rptr. 93, appeal dismissed, 454 U.S. 1070 (1981). In *In re Estate of Painter*, 39 Colo. App. 506, 567 P.2d 820, 822 (1977), the court referred to "the public outcry over antiquated and expensive probate laws" and criticized the percentage fee system as unnecessary and expensive. The court commended the Legislature for enacting the Uniform Probate Code with the addition of a provision listing numerous factors to be considered in determining the reasonableness of the compensation of the estate attorney, only one of which is the monetary value of the estate.

86. See discussion, *supra*, under "Uniform Probate Code Method of Fixing Compensation of Estate Attorney."

## COMPARISON OF CALIFORNIA FEES WITH FEES CHARGED IN OTHER STATES

### Introduction

How do fees charged by California attorneys for probating estates compare to those charged by attorneys in other states? It is not possible to answer this question with any certainty. Current empirical data is not available. The best available information is reviewed below.

### Analysis of Stein Study Data

#### Comparison of Typical Fee Charged

The *Stein Study*<sup>87</sup> indicates that, for estates of persons dying in 1972, California fees were not out of line with those charged in other states.

The *Stein Study* is based on data collected from a representative sample of estate administrations in five states: California, Florida, Maryland, Massachusetts, and Texas.<sup>88</sup> "These states were selected because they have certain practices or procedures relating to estate administration that make them broadly representative of other states."<sup>89</sup>

The *Stein Study* draws the following conclusion from the data collected:<sup>90</sup>

Comparing the fees charged by California attorneys to those charged by attorneys in the other states is

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87. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107 (1984).

88. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1110 (1984).

89. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1110 (1984). California was selected because it is a community property state and has a statutory probate fee schedule.

90. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1187-88 (1984).



particularly revealing. Though set by statute as a percentage of inventoried assets in an estate, California fees were apparently comparable to fees charged in the other states not having fees set by statute, being neither the highest nor the lowest among the group.

This conclusion is drawn from the data presented below (Table 3).

**Table 3. Attorneys' Fees by Probate Estate Size\* Listed in Order of Rank by State<sup>91</sup>**

<i>All Estates</i>				<i>\$1 - 9,999</i>			
<i>Amount</i>		<i>% Probate</i>		<i>Amount</i>		<i>% Probate</i>	
Mass.	\$1,603	Cal.	3.0	Cal.	\$292	Cal.	7.2
Cal.	\$1,911	Tex.	4.1	Fla.	\$413	Md.	9.9
Md.	\$2,276	Md.	5.8	Md.	\$415	Mass.	12.7
Tex.	\$2,560	Mass.	7.8	Mass.	\$422	Tex.	16.0
Fla.	\$2,791	Fla.	8.4	Tex.	\$501	Fla.	18.5
<i>\$10,000 - 19,999</i>				<i>\$20,000 - 29,999</i>			
<i>Amount</i>		<i>% Probate</i>		<i>Amount</i>		<i>% Probate</i>	
Tex.	\$487	Tex.	3.5	Tex.	\$584	Tex.	2.4
Cal.	\$653	Cal.	4.4	Cal.	\$987	Cal.	4.0
Fla.	\$715	Fla.	5.0	Fla.	\$1,268	Fla.	5.4
Md.	\$878	Md.	6.1	Mass.	\$1,430	Mass.	5.8
Mass.	\$925	Mass.	6.1	Md.	\$1,796	Md.	7.0
<i>\$30,000 - 59,999</i>				<i>\$60,000 - 99,999</i>			
<i>Amount</i>		<i>% Probate</i>		<i>Amount</i>		<i>% Probate</i>	
Tex.	\$1,211	Tex.	2.8	Tex.	\$1,783	Tex.	2.4
Cal.	\$1,784	Md.	4.2	Md.	\$2,009	Md.	2.7
Md.	\$1,852	Cal.	4.4	Cal.	\$2,450	Cal.	3.1
Fla.	\$2,317	Fla.	5.2	Fla.	\$3,406	Mass.	4.4
Mass.	\$2,475	Mass.	6.2	Mass.	\$3,495	Fla.	4.6
<i>\$100,000 - 499,999</i>				<i>\$500,000+</i>			
<i>Amount</i>		<i>% Probate</i>		<i>Amount</i>		<i>% Probate</i>	
Mass.	\$3,937	Tex.	2.2	Cal.	\$20,614	Cal.	1.5
Tex.	\$4,127	Cal.	2.3	Mass.	\$20,880	Tex.	1.7
Cal.	\$4,627	Md.	2.6	Md.	\$29,258	Mass.	2.0
Md.	\$5,051	Mass.	2.8	Fla.	\$32,882	Fla.	2.6
Fla.	\$6,308	Fla.	3.2	Tex.	\$30,716	Md.	3.3

\*Only estates having known, nonzero values are included.

91. This table is taken without change (except for the table number) from Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1186 (1984).

The data presented in the *Stein Study* is the most recent available. However, that data was collected for estates of persons dying in 1972. The statutory fee schedule in California has been revised several times since then. Table 4 compares the statutory fee schedule in effect in 1972 with the statutory fee schedule in effect in 1987.

<b><u>Table 4. 1972 Fee Schedule Compared to 1987 Fee Schedule</u></b>			
Percentage determined from statutory fee schedule under Probate Code Sections 901 and 910 and does not include additional amounts that may be allowed for extraordinary services.			
<b><u>1972 Fee Schedule</u></b> (1965 ch. 115)		<b><u>1987 Fee Schedule</u></b> (1986 ch. 961)	
\$1 - \$1,000	7%		
\$1,001 - \$10,000	4%	\$1 - \$15,000	4%
\$10,001 - \$50,000	3%	\$15,001 - \$100,000	3%
\$50,001 - \$150,000	2%	\$100,001 - \$1 million	2%
\$150,001 - \$500,000	1.5%	\$1,000,001 - \$10 million	1%
Above \$500,000	1%	\$10,000,001 - \$25 million	0.5%
		Above \$25 Million	reasonable amount determined by court

Table 5 shows the effect of the revised statutory fee schedule for various size estates. The table shows that California statutory fees in 1987 are substantially higher than in 1972 for estates over \$100,000.

**Table 5. 1972 Attorney Fee Compared to 1987 Attorney Fee  
on Various Size Estates**

Amounts determined from statutory fee schedule under Probate Code Sections 901 and 910 and do not include additional amounts that may be allowed for extraordinary services.

<u>Size of Estate</u>	<u>1972 Fee</u>	<u>1987 Fee</u>	<u>% Increase</u>
\$10,000	\$ 430	\$ 400	-7.5
20,000	730	750	2.7
30,000	1,030	1,050	2
40,000	1,330	1,350	1.5
50,000	1,630	1,650	1.2
60,000	1,830	1,950	6.6
70,000	2,030	2,250	10.8
80,000	2,230	2,550	14.3
90,000	2,430	2,850	17.3
100,000	2,630	3,150	19.8
150,000	3,630	4,150	14.3
200,000	4,380	5,150	17.6
250,000	5,130	6,150	19.8
300,000	5,880	7,150	21.6
400,000	7,380	9,150	24.0
500,000	8,880	11,150	25.6
800,000	11,880	17,150	44.4
1 million	13,880	21,150	52.4
2 million	23,880	31,150	30.4
5 million	53,880	61,150	13.5
10 million	103,880	111,150	6.9

The 1972 California attorneys' fees for estates in the \$100,000 - 499,999 range ranked higher than the fees in Massachusetts and Texas and lower than the fees in Maryland and Florida.<sup>92</sup> The California fee increase since 1972 may be offset in whole or in part by a

92. See Table 3, *supra*, in text. The fees shown in Table 5 do not exclude any extraordinary fees allowed by the court; the fees shown in Table 3 do include extraordinary fees allowed by the court. Accordingly, the fees shown in Table 5 would need to be increased to include extraordinary fees to make them comparable to the fees shown in Table 3.

corresponding attorney fee increase in the other states. The other four states use a reasonable fee standard for fixing attorneys' fees in estate administration. The hourly rates in these other states no doubt have significantly increased since the information concerning fees in other states was collected. At the same time, inflation since 1972 has greatly increased the size of the average California estate and the amount of the statutory fee for that estate.

#### Comparison of How Attorneys Set Fees in Estate Administration

The *Stein Study* makes the following analysis of the data collected in the five states:<sup>93</sup>

Attorneys in California were closely guided by the statutory fee system. Attorneys in the four other states, however, were free to set their fees subject only to the general requirement that the probate court ultimately determine them to be reasonable.

Attorneys in the five study states clearly considered the most important bases for determining attorneys' fees in estate administration to be the "fee schedule" (percentage of estate) and "time involved." The relative importance of these two factors varied among the states, however. As expected, statutory considerations in California made "fee schedule" the predominant mode for setting attorneys' fees there. In the other states, fee schedules were not nearly as important; attorneys in Texas, Florida, and Maryland considered "time involved" to be more important than "fee schedule" in determining attorneys' fees. The relative importance attributed to "fee schedule" and "time involved" did not change with either the size of the firm or the size of the estates.

Attorneys who kept time records were more likely to emphasize "time involved" than attorneys who did not keep time records. Except in Florida, attorneys who kept time records were also less likely to emphasize the "fee schedule" in setting estate administration fees than attorneys who did not keep time records.

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93. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1183-84 (1984) (footnotes and references to tables tabulating data omitted).

Moreover, in view of the still-developing trend toward using paralegals in the administration of an estate, it is revealing to compare the relative importance placed on "time involved" as a basis for setting fees by attorneys in firms using paralegals in estate administration and by those whose firms do not. In each of the study states except Maryland, "time involved" is emphasized to a greater extent by attorneys in firms with paralegals than by others.

California attorneys more often considered "extraordinary services" to be a significant factor in determining attorneys' fees than did attorneys in the other states. Very likely this is because the California statute permits a fee in excess of the statutory percentage if the attorney performs extraordinary services. Consequently, in California the phrase "extraordinary" services has presumably assumed a well-defined meaning and saliency beyond that in the other states.

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The two factors most determinative of attorneys' fees were the size of the estate and the attorney time. And of these two factors, estate size was significantly more influential than attorney time, especially in California and Florida. Such variables as testacy, use of paralegals, and attorneys' specialization were relatively unimportant.

A comparison of the attorney responses with the factors actually influencing fee charging is revealing. California attorneys reported significantly greater reliance on fee schedules in setting attorneys' fees in estate administration than did attorneys in other states. Estate size significantly influenced attorneys' fees in every study jurisdiction; indeed, Florida attorneys' fees appear to have been determined by probate estate size to the same extent as in California. This comparison suggests that attorneys in states other than California may have relied more on fee schedules than they were disposed to admit.

#### Complaints Regarding Administration of Estate

As a part of the *Stein Study*, attorneys were interviewed concerning complaints regarding the administration of the estate. The information received is summarized in the published study:<sup>94</sup>

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94. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1208 (1984) (reference to table tabulating data omitted).

Generally, however, attorneys reported relatively few complaints. Texas, Massachusetts, and Florida attorneys reported receiving complaints from representatives in only 5% to 8% of estates, Maryland attorneys in 10% of estates, and California attorneys in 17% of estates. Attorneys reported a similar pattern of frequency of complaints from other beneficiaries: Texas and Massachusetts attorneys reported the fewest complaints from beneficiaries; California attorneys reported the most.

The *Stein Study* reports information concerning the types of complaints.<sup>95</sup> For the entire sample, the California attorneys reported that 45 percent of the complaints were that the proceeding takes too long and 15 percent that the proceeding costs too much. The remainder of the complaints (40%) concerned other matters.

For estates over \$60,000 with an individual representative, 50 percent of the California complaints were that the proceeding takes too long and 44 percent that the proceeding costs too much. Six percent concerned other matters. For estates in this category, percentage of complaints concerning the cost of the proceeding was higher in California than in any of the other four states covered by the *Stein Study*.<sup>96</sup>

The Questionnaire distributed by the Commission sought information concerning complaints about the cost of probate proceedings generally and complaints that the attorney's fee was too high. More than one-third (38.4%) of the respondents reported they had received no complaints about the cost of probate proceedings. More than half (57.6%) received complaints in five percent or less of the estates they handled concerning the cost of probate proceedings. Twenty percent reported receiving complaints concerning the cost of probate proceedings in more than 20 percent of the estates they handled. See Appendix 1, Table G (Complaints Regarding Cost of Probate Proceedings).

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95. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1205-14 (1984).

96. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1211 (1984). The percentages of complaints in other states that concerned cost of the proceeding were Florida 0%, Maryland 28%, Massachusetts 33%, and Texas 0%.

Complaints specifically directed to the attorney's fees were less frequent. More than half (56.7%) reported they had received no complaints that the attorney fee was too high. More than 75 percent received complaints concerning the attorney fee in five percent or less of the estates they handled. On the other hand, two respondents reported that they received complaints that the attorney fee was too high in half their estate cases, and 13 attorneys received complaints about the legal fee in 25 percent or more of their estate cases. See Appendix 1, Table H (Complaints That Attorney's Fee Too High).

#### Conclusions Drawn From Stein Study

Because of the increase in the California statutory fee since 1972, the information collected in the *Stein Study* is not very useful in comparing California fees with fees in other states. More useful is the finding of the *Stein Study* that California attorneys reported a greater frequency of complaints than did attorneys in the other states covered by the *Stein Study*. For estates over \$60,000, attorneys in California reported a greater percentage than in the other states of complaints about the cost of the proceedings. This might be attributable in part to use of a statutory fee schedule to fix the attorney's fee in California as contrasted to use of the combined "size of estate" and "time worked" standard used to fix a reasonable fee in the other states covered by the *Stein Study*. For a simple, large estate, the statutory fee schedule yields a fee that is greatly in

excess of that fixed using the attorney's regular hourly rate.<sup>97</sup> This may explain why there are more objections to attorney fees in California than in the other states, the fee charged in the other states being based in part on time worked. Nevertheless, it should be recognized that in the other states the size of the estate is an important factor in fixing the attorneys' fee. In addition, the cost of a probate proceeding in California includes not only the compensation of the attorney and the personal representative, but also may include other costs such as the compensation of the probate referee, newspaper publications, and the bond of the personal representative. Some of these extra costs may not be incurred in the other states covered by the *Stein Study*.

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97. One California attorney sent the following comment regarding the statutory fee to the Law Revision Commission: "Statutory fee structure is generally high in estate of \$100,000 or more if attorney is skilled probate attorney. Very frequently attorney receives an average of \$400-600 per hour for time spent. Size of estate is generally not related to work involved." (emphasis in original).

Another attorney, who reports that she charges less than the full statutory fee in 60 percent of the probate estates she handles, states that her fee nearly always is based on an hourly rate. She states: "In today's inflationary times, the statutory fee is excessive. We (lawyers) already have a reputation for gouging and I'd like to turn that around."

Other typical comments from California attorneys as to the effect of the statutory fee system:

"Fee schedule is capricious -- frequently overcompensates."

"Current statutory fee as a % is not fair to estate -- too high in most cases; too low in others (few)."

"Present practice in general results in a fee too high for the nature and extent of services rendered."

By way of contrast, one lawyer commented: "Fees invariably equal time invested in case." Another: "The correlation of the values of work performed and the statutory fee schedule is satisfactory and fair."

Most lawyers sent comments along the following lines:

"In most estates you are overcompensated (using the statutory fee schedule), but this allows you to do a quality job for the small estate where you will never be fully compensated for your time."

"We generally lose money on the smaller estate that is less able to pay the full hourly. However, we break even on the larger estates to offset the losses on the smaller estate. An hourly rate would shift fees to the smaller estate."

"[If the statutory fee schedule is eliminated, we] will then do all probate work on an hourly basis. Some big estates will pay considerably less. Most small estates (\$100,000 or less) will pay more."



California Statutory Fee Schedule Compared to  
Fee Schedules Used in Other States

Nine states use a rate schedule to compute the legal fee for ordinary probate services.<sup>98</sup> It is difficult to compare the results under the rate schedules used in these states.<sup>99</sup> Nevertheless, the

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98. The following states use a rate schedule: Arkansas, California, Delaware (court rule), Hawaii, Iowa, Missouri, Montana, New Mexico, and Wyoming. Ark. Stat. Ann. § 62-2208 (Supp. 1985); Cal. Prob. Code §§ 901, 910 (West 1987); Del. Ch. Ct. R. 192 (1981); Hawaii Rev. Stat. §§ 560:3-719, 560:3-721 (1985); Iowa Code Ann. §§ 633.197, 633.198 (West 1964); Mo. Ann. Stat. § 473.153 (Vernon Supp. 1987); Mont. Code Ann. §§ 72-3-631, 72-3-633 (1985); N.M. Stat. Ann. §§ 45-3-719, 45-3-720 (1978); Wyo. Stat. §§ 2-7-803, 2-7-804 (Supp. 1987). In addition to these states, the attorneys and the courts in some states may use an informal rate schedule for fixing or approving attorney fees. However, use of a nonstatutory schedule may create antitrust problems. See *Estate of Effron*, 117 Cal. App. 3d 915, 923, 173 Cal. Rptr. 93, *appeal dismissed*, 454 U.S. 1070 (1981).

99. In most other states, but not in California, the court may award a reasonable fee that is less than the fee determined using the fee schedule. Absent an agreement between the attorney and the client for a lower fee, the California attorney is entitled to the fee computed under the statutory rate schedule, without regard to whether the fee is reasonable under the circumstances of the particular estate. See note 21, *supra*.

California allows additional compensation for extraordinary services. New Mexico does not allow additional compensation for extraordinary services. The remaining states may vary in how liberal they are in allowing additional compensation for extraordinary services. See note 81, *supra*.

California applies its statutory rate schedule to the gross estate; liens and encumbrances are not subtracted in determining the value of the estate for the purpose of applying the fee schedule. Cal. Prob. Code §§ 901, 910. It is difficult to determine whether liens and encumbrances are subtracted in determining the value of the estate for fee schedule purposes in some of the other states.

following table compares the attorneys' fees computed for a typical estate using the attorney fee schedules in the various states. See Appendix 2 for the property assumed to be included in the typical estate and the calculations of the attorneys' fees for the various states.

**TABLE 6. COMPARISON OF ATTORNEY FEES UNDER FEE SCHEDULES**

<u>State</u>	<u>Fee</u>	<u>Court has Authority to Reduce Fee</u>
Delaware*	\$12,000	Yes
Arkansas	10,863	Yes
California	8,850	No
Montana	8,050	Yes
Wyoming	7,850	No
Iowa	7,620	Yes
Hawaii	6,030	No
New Mexico	4,900	Yes
Missouri	4,263	No

\*Fee schedule in Delaware is established by court rule, not statute. The court rule provides that the fee schedule is a ceiling on the attorney fee and is not to be charged in all cases.

Source: Appendix 2.

**STANDARDS OR FACTORS TO BE TAKEN INTO CONSIDERATION IN DETERMINING  
AMOUNT OF ATTORNEY FEE**

**Statutory Statements**

At least nine states and the District of Columbia have statutory statements of the standard or factors that are to be taken into consideration in determining what constitutes a reasonable attorney fee.<sup>100</sup>

Maryland has a very general standard that "compensation shall be fair and reasonable in light of all the circumstances to be considered in fixing the fee of an attorney."<sup>101</sup> Massachusetts has a somewhat similar general standard: "the compensation shall be awarded on an equitable basis in accordance with the size, importance, complexity and difficulty of the matters involved and the time spent thereon."<sup>102</sup>

The other states have more detailed standards that use the Multiple Factor Approach suggested by the American Bar

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100. E.g., Colo. Rev. Stat. § 15-12-721 (1974); D.C. Code Ann. § 20-751 (1981); Fla. Stat. Ann. § 733.617 (West Supp. 1987); Me. Rev. Stat. Ann. tit. 18-A, § 3-721 (1981); Md. Est. & Trusts Code Ann. § 7-602 (1974); Mass. Ann. Laws ch. 215, § 39A (Michie/Law. Co-op. 1986); Paone v. Gerrig, 362 Mass. 757, 291 N.E.2d 426 (1973); Neb. Rev. Stat. § 30-2482 (1985); Or. Rev. Stat. § 116.183 (1984); Wis. Stat. Ann. § 851.40 (West Supp. 1987).

Nevada requires specific and detailed information supporting the attorney's fee where the fee is not fixed by agreement between the attorney and the personal representative. Nev. Rev. Stat. § 150.060 (1986). This information includes the following:

- (a) Reference to time and hours.
- (b) Nature and extent of services rendered.
- (c) Claimed ordinary and extraordinary services.
- (d) Complexity of the work required.
- (e) Other information considered to be relevant to a determination of entitlement.

101. Md. Est. & Trusts Code Ann. § 7-602 (1974).

102. Mass. Ann. Laws ch. 215, § 39A (Michie/Law. Co-op. 1986).

Association.<sup>103</sup> The Colorado provision<sup>104</sup>—which applies not only to the attorney but also to any other specialized agent or assistant employed by the personal representative—is typical of the provisions in the states that provide a more detailed standard:

Factors to be considered as guides in determining the reasonableness of a fee include the following:

(a) The time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the service properly;

(b) The likelihood, if apparent to the personal representative, that the acceptance of the particular employment will preclude the person employed from other employment;

(c) The fee customarily charged in the locality for similar services;

(d) The amount involved and the results obtained;

(e) The time limitations imposed by the personal representative or by the circumstances;

(f) The nature and length of the relationship between the personal representative and the person performing the services;

(g) The experience, reputation, and ability of the person performing the services.

The Delaware provision, like provisions in some other states,<sup>105</sup> specifically requires consideration of the "risk or responsibility involved" in serving as the attorney for the decedent's estate. Consideration of the risk or responsibility would appear to require consideration of the potential malpractice liability, and the potential malpractice liability does increase as the size of the estate increases.

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103. The Multiple Factor Approach is discussed in the text, *supra*, at notes 14-16.

104. Colo. Rev. Stat. § 15-12-721 (1974). Referring to "the public outcry over antiquated and expensive probate laws" criticizing the percentage fee system as unnecessary and expensive, an appellate court in Colorado commended the Legislature in that state for passing a law which authorizes payment to the attorney for the personal representative on the basis of numerous factors, only one of which is the monetary value of the estate. See *In re Estate of Painter*, 39 Colo. App. 506, 567 P.2d 820, 822 (1977).

105. Mass. Ann. Laws ch. 215, § 39A (Michie/Law. Co-op. 1986) ("importance" of matters involved); Or. Rev. Stat. § 116.183 (1984) ("the amount of responsibility assumed by counsel considering the total value of the estate"); Wis. Stat. Ann. § 851.40 (1985) ("extent of the responsibilities assumed").

The District of Columbia statute<sup>106</sup> includes the following additional factor:

a statement by any attorney employed by the personal representative that as soon as feasible the attorney gave to the personal representative an estimate of costs and any change in costs for work to be performed with respect to administration of the estate.

The Oregon statute lists "any agreement as to fees which may exist between the personal representative and his counsel" as a factor to be considered among other relevant factors.<sup>107</sup>

The Wisconsin statute<sup>108</sup> lists among the various factors to be taken into consideration the "sufficiency of assets properly available to pay for the services, except that the value of the estate may not be the controlling factor."

#### Court Rules

By court rule,<sup>109</sup> Delaware has adopted a fee schedule to determine the lawyer's fee for ordinary services in probate administration. However, the court rule states that the fee determined under the fee schedule is not intended to be applicable in every case, and in some cases a lower fee may be appropriate. The court rule includes a statement of factors to be considered in fixing the fee of the estate attorney:

The factors to be considered by the personal representative and the attorney in determining the commission or fee include, but are not limited to, the following:

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106. D.C. Code Ann. § 20-751(c) (1981). This provision phrases the "time spent" factor in the following language: "the reasonableness of the time spent, including the number of hours spent and the usual hourly compensation for the work performed."

107. Or. Rev. Stat. § 116.183 (1984). The statute adopts a multiple factor approach to determining reasonable attorney fees and provides: "No single factor shall be controlling."

108. Wis. Stat. Ann. § 851.40. (West Supp. 1987).

109. Del. Ch. Ct. R. 192 (1981).

- (1) The time spent.
- (2) The risk or responsibility involved.
- (3) The novelty and difficulty of the questions presented.
- (4) The skill and experience of the personal representative or the attorney.
- (5) The comparable rates for similar services in the locality.
- (6) The character of the estate property.
- (7) The benefits obtained for the estate by the administration.
- (8) The loss of other business necessitated by the acceptance of the administration.
- (9) The time limitations labored under.

#### Judicial Decisions

The multiple factor approach has been adopted by judicial decision in some states that do not have a statutory provision governing what constitutes a reasonable fee.<sup>110</sup>

#### California

California does not have a statutory statement of the standard or factors to be considered in determining what constitutes a reasonable attorney fee.

Rule 2-107 of the Rules of Professional Conduct of the State Bar of California governs fees for legal services generally. The rule adopts the multiple factor approach. It reads:

(A) A member of the State Bar shall not enter into an agreement for, charge or collect an illegal or unconscionable fee.

(B) A fee is unconscionable when it is so exorbitant and wholly disproportionate to the services performed as to shock the conscience of lawyers of ordinary prudence practicing in the same community. Reasonableness shall be determined on

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110. E.g., *In re Estate of Weaver*, 119 Mich. App. 796, 327 N.W.2d 366 (1982); *In re Estate of Weber*, 59 Ill. App. 3d 274, 375 N.E.2d 569 (1978); *First National Bank of Topeka v. United States*, 233 F. Supp. 19, 30 (1964). See generally Annot., 58 A.L.R.3d 317, 321 (1974).

the basis of circumstances existing at the time the agreement is entered into except where the parties contemplate that the fee will be affected by later events. Among the factors to be considered, where appropriate, in determining the reasonableness of a fee are the following:

(1) The novelty and difficulty of the questions involved and the skill requisite to perform the legal service properly.

(2) The likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the lawyer.

(3) The amount involved and the results obtained.

(4) The time limitations imposed by the client or by the circumstances.

(5) The nature and length of the professional relationship with the client.

(6) The experience, reputation, and ability of the lawyer or lawyers performing the services.

(7) Whether the fee is fixed or contingent.

(8) The time and labor required.

(9) The informed consent of the client to the fee agreement.

This rule does not prohibit the estate attorney from charging the statutory fee for services in connection with the administration of a decedent's estate; and, without regard to the reasonableness of the statutory fee, the attorney who charges the statutory fee does not engage in unethical conduct.<sup>111</sup> However, a reasonable fee is allowed where additional compensation for extraordinary services are sought, and the courts take an approach that is generally consistent with Rule 2-107 in determining what is a reasonable fee for extraordinary services.<sup>112</sup>

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111. *Estate of Efron*, 117 Cal. App. 3d 915, 926, 173 Cal. Rptr. 93, appeal dismissed, 454 U.S. 1070 (1981).

112. See text, *supra*, at notes 35-36. No cases have been found where the informed consent of the client to a fee agreement was considered or relied on in fixing additional compensation for extraordinary services, presumably because such fee agreements are rare.

The Los Angeles County Probate Policy Memorandum states that the court will take into consideration the following in evaluating the justification for an award for fees for extraordinary services:<sup>113</sup>

- A. Nature and difficulty of the task performed.
- B. Results achieved.
- C. Benefit to the estate as a whole rather than the interests of particular beneficiaries.
- D. Detailed description of services performed demonstrating productivity of hours spent.
- E. Expertise, experience and professional standing of the attorney in the community.
- F. The statutory fee and whether it constitutes adequate compensation for all the services rendered by the attorney.
- G. Hours spent.
- H. Hourly rate of person performing services.
- I. Total amount requested.
- J. Size of the estate and length of administration.

The Fresno County Probate Policy Memorandum includes a more detailed statement of the matters taken into consideration in determining the amount of extraordinary compensation:<sup>114</sup>

b. Determination of Amount

It is the policy of the Court to allow compensation which would be paid by persons competent to contract for themselves and as are reasonable and customary in the community for such services. In order to assist the Court in its determination, each item that constitutes an extraordinary service shall be individually stated in the petition with a specific fee request for each such service. Following are suggested, but not exclusive guidelines of the Court to be used in making its determination:

(1) The benefits which inured to the estate. It is recognized that the representative or his or her attorney may occasionally be under a duty to pursue certain matters which do not enjoy a successful conclusion. Such services may nevertheless be compensable, but a successful conclusion is clearly of relevance.

(2) Amount of money or value of property involved in the transaction. This is relevant to the degree of responsibility assumed and the care that must be given to the matter.

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113. Los Angeles County Probate Policy Memorandum (effective July 1, 1986) § 15.08(1).

114. Fresno County Probate Policy Memorandum (effective as amended July 1, 1986) para. 9.5.



(3) Whether the matter was routine or involved a unique matter of substantial legal or practical difficulty.

(4) Knowledge and experience of personal representative or attorney. The Court is often unaware of the experience or background of the petitioning party. A description of the party's years of practice and expertise should be provided the Court.

(5) Whether an expert was retained in connection with the rendering of particular services, such as a broker or certified public accountant. In that event, the Court should be advised of the comparative roles and responsibilities assumed by the expert and the petitioning party.

(6) Duration of the probate administration. Although it is the policy of the law to close an estate as promptly as possible, it occasionally is necessary that estates remain open for lengthy periods of time. In that event, delay in compensation and the time value of money is relevant.

(7) Detailed description of services. For example, if a real property sale involves dealing with numerous buyers, evaluation of exchanges, clearing title, exposure to potential litigation, the items should be listed in detail. Similarly, if the preparation of a Federal Estate Tax Return involves such other matters as elections under Sections 303, 2032A, 6166, or 2056, each service should be separately described.

(8) Fees for legal research. Legal research will be compensable as extraordinary services only when it relates to unusual, unique or difficult problems. If extraordinary fees are sought for time expended in research, the purpose of the research should be specified and its extraordinary nature clearly described.

(9) Time devoted to the matter. The Court shall be advised of the time devoted to the matter and the petitioner's hourly rate customarily charged for such services, if applicable. The Court must also be provided with sufficient information in order to enable it to analyze the reasonableness of the rate and of the amount of time devoted to the matter.

(10) Amount of the statutory fee and the time required to administer all matters pertaining to the estate. In certain cases, it may be that the statutory fee is a reasonable compensation for all services rendered.

c. Sales of Real Property and Preparation of Federal Estate Tax Return

(1) Sales of real property. The Court will ordinarily consider as just and reasonable compensation for all services of both the personal representative and the attorney in the sale of real property the total sum of \$450.00 on the first \$20,000.00 of the sales price

and 1% of the sales price in excess of \$20,000.00. If greater compensation is requested, all services shall be treated as extraordinary and described in detail by declarations as provided in Paragraph 9.5.

(2) Preparation of federal estate tax return. The Court will ordinarily consider \$1,000.00 as being just and reasonable compensation for the preparation of a federal estate tax return. If greater compensation is requested, all services shall be treated as extraordinary and described in detail by declarations as provided in Paragraph 9.5.

#### FIXING, APPROVAL, OR REVIEW OF FEES BY COURT

##### California

In California, there is no statutory authority to pay the fee of the estate attorney in advance of a court order, not even the statutory fee. Even if the estate is administered under the Independent Administration of Estates Act, "court supervision" (a court order) is required for payment of the fee of the estate attorney.<sup>115</sup> If the fee is paid without a prior court order, interest or a surcharge may be imposed.<sup>116</sup>

Section 911 of the Probate Code permits the attorney to petition the court for an advance on fees for work actually completed. Court rules generally limit the amount of the advance for ordinary services

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115. Prob. Code § 10501(a)(2).

116. See, e.g., Alameda County Probate Policy Manual (approved by the court January 16, 1986) § 1001; Fresno County Probate Policy Memorandum (effective as amended July 1, 1986) § 9.2(a); Los Angeles County Probate Policy Memorandum (effective July 1, 1986) § 15.01; Madera County Probate Rules (effective July 15, 1985) Rule 10.13(A); Merced County Probate Rules Rule 1104(a); Sacramento County Probate Policy Manual (effective August 1, 1986) § 709; San Diego County Probate Rules (effective July 1, 1985) Rule 4.109(1); San Francisco County Probate Manual (revised October 1982) § 13.03(c); San Joaquin County Probate Rules (effective January 1 1986) Rule 4-706; San Mateo County Probate Rules (effective January 1, 1987) Rule 486(c); Santa Clara County Probate Rules (effective October 1, 1982; supplement effective June 1, 1984) Rule 5.6; Stanislaus County Probate Policy Manual (effective February 1985) § 1004(a); Tuolumne County Probate Rules (effective August 1, 1985) Rule 12.11(a), (c); Probate Rules of the Third District Superior Courts (effective December 1981) Rule 12.12.

by reserving the last 25 percent of the statutory fee until approval of the final account and the decree of distribution.<sup>117</sup>

The order authorizing the payment of the fee of the estate attorney is normally obtained in conjunction with an interim or final accounting and petition for settlement of the account. Even where an

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117. See, e.g., Alameda County Probate Policy Manual (approved by the court January 16, 1986) § 1003; Contra Costa County Probate Policy Manual (effective January 1, 1987) § 605; Fresno County Probate Policy Memorandum (effective July 1, 1986) § 9.3; Los Angeles County Probate Policy Memorandum (effective July 1, 1986) § 15.02 (last 30% of statutory fee reserved until approval of final account and decree of distribution); Madera County Probate Rules (effective July 15, 1985) Rule 10.14; Marin County Rules of Probate Practice (effective January 1, 1984) Rule 1202; Merced County Probate Rules Rule 1104(b) (ordinarily last 30% of statutory fee reserved until approval of final account and decree of distribution, but the 30% reserve may be substantially reduced or dispensed with upon a showing that it would be beneficial to the estate or to the distribution, such as reduction of income taxes in a given fiscal period); Orange County Probate Policy Memorandum (effective October 1, 1985) Rule 8.04; Riverside County Probate Policy Memorandum (effective August 1986) Rule 6.1004(C); Sacramento County Probate Policy Manual (effective August 1, 1986) § 707; San Diego County Probate Rules (effective July 1, 1985) Rule 3.110; San Francisco County Probate Manual (revised October 1982) § 13.03(c); San Joaquin County Probate Rules (effective January 1, 1986) Rule 4-706(B) (ordinarily last 30% of statutory fee reserved until approval of final account and decree of distribution, but the 30% reserve may be substantially reduced or dispensed with upon a showing that it would be beneficial to the estate or to the distribution, such as reduction of income taxes in a given fiscal period); San Mateo County Probate Rules (effective January 1, 1987) Rule 486(a); Santa Barbara County Probate Rules (effective September 1, 1985) Rule 414(H)(2); Santa Clara County Probate Rules (effective October 1, 1982; supplement effective June 1, 1984) Rule 5.6(d); Solano County Probate Rules (effective March 1, 1972) Rule 8.11(d) (the last 33% of statutory fees will not be allowed prior to approval of final account and the granting of a petition for final distribution); Stanislaus County Probate Policy Manual (effective February 1985) § 1004(b) (ordinarily last 30% of statutory fee reserved until approval of final accounting, but the 30% reserve may be substantially reduced or dispensed with upon a showing that it would be beneficial to the estate or to the distribution, such as reduction of income taxes in a given fiscal period); Tuolumne County Probate Rules (effective August 1, 1985) (allowance on account of ordinary fees shall not exceed 70% of statutory fees); Ventura County Probate Rules (effective January 1, 1986) Rule 11.12(c); Probate Rules of Third District Superior Courts (effective December 1981) Rule 12.12(E) (allowance on account of ordinary fees shall not exceed 70% of statutory fees).

account is waived, the petition and report must state the amount of the attorney fee and set forth the basis for calculating the statutory attorney fee.<sup>118</sup>

Local court rules often prescribe how the computation of the statutory fees must be shown in the petition.<sup>119</sup> Typical of these local rules is the Contra Costa County Probate Policy Manual rule,<sup>120</sup> which provides:

**603. STATUTORY FEES.**

A. Pursuant to Probate Code § 901, the basis for computation of statutory commissions payable to the executor or administrator and statutory fees payable to attorneys shall be set forth in the body of the petition, in substantially the following form:

	FEE BASE	
Inventory and Appraisement		\$ _____
Receipts		_____
Gains on Sales		_____
Losses on Sales		( _____ )
Income during Administration		_____
	Fee Base	\$ _____

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118. Prob. Code § 933(c) ("Notwithstanding waiver of the account, the executor or administrator shall file a report at the time the account would otherwise have been required showing the amount of the fees or commission paid or payable to the executor or administrator and to the attorneys and setting forth the basis for determining such amount").

119. See, e.g., Contra Costa County Probate Policy Manual (effective January 1, 1987) § 603; Merced County Probate Rules Rule 1103; Monterey County Probate Rules (effective January 1, 1987) Rule 4.27; Orange County Probate Policy Memorandum (effective October 1, 1985) § 8.04; Riverside County Probate Policy Memorandum (effective August 1986) Rule 6.1004(A); Sacramento County Probate Policy Manual (effective August 1, 1986) § 706(b); San Bernardino County Probate Policy Memorandum (revised August 13, 1985) § 906; San Francisco County Probate Manual (revised October 1982) § 13.01; San Joaquin County Probate Rules (effective January 1, 1986) Rule 4-705; San Mateo County Probate Rules (effective January 1, 1987) Rule 483; Santa Clara County Probate Rules (effective October 1, 1982; supplement effective June 1, 1984) Rule 5.1 "Statement of Commission"; Stanislaus County Probate Policy Manual (effective February 1985) § 1003.

120. Contra Costa County Probate Policy Manual (effective January 1, 1987) § 603.

FEE COMPUTATION		
4% on first \$15,000	(_____)	\$ _____
3% on next \$85,000	(_____)	_____
2% on next \$900,000	(_____)	_____
1% on balance above \$1,000,000	(_____)	_____
	Total	\$ _____

B. The above computation must be made even though accounting is waived. Contracts for higher than statutory fees are void.

A request for additional compensation for extraordinary services must be supported by detailed information of the nature of the services, the time spent, the necessity for the services, and other supporting information.<sup>121</sup> Some local court rules require that the supporting information be provided in a particular format.<sup>122</sup>

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121. Estate of Fulcher, 234 Cal. App. 2d 710, 44 Cal. Rptr. 861 (1965); Estate of Lundell, 95 Cal. App. 2d 352, 212 P.2d 914 (1949).

122. See, e.g., Alameda County Probate Policy Manual (effective January 1, 1986) § 1006; Contra Costa County Probate Policy Manual (effective January 1, 1987 § 604 ("Records of time spent, without more, are not adequate"); Fresno County Probate Policy Memorandum (effective July 1, 1986) § 9.5; Lake County Probate Rules (effective July 1, 1986) Rule 13.4; Los Angeles County Probate Policy Memorandum (effective July 1, 1986) §§ 15.07 - 15.09; Madera County Probate Rules (effective July 1, 1985) Rule 10.16; Marin County Rules of Probate Practice (effective January 1, 1984) Rule 1204; Merced County Probate Rules Rule 1108; Monterey County Probate Rules (effective January 1, 1987) Rule 4.28; Orange County Probate Policy Memorandum (effective October 1, 1985) § 8.04; Riverside County Probate Policy Memorandum (effective August 1986) Rule 6.1004(B); Sacramento County Probate Policy Manual (effective August 1, 1986) § 708; San Joaquin County Probate Rules (effective January 1, 1986) Rule 4-708; San Mateo County Probate Rules (effective January 1, 1987) Rule 484; Santa Barbara County Probate Rules (effective September 1, 1985) Rule 414(H)(3); Santa Clara County Probate Rules (effective October 1, 1982; supplement effective June 1, 1984) Rule 5.7; Santa Cruz County Probate Rules (effective January 1, 1986) Rule 405; Solano County Probate Rules (effective March 1, 1972) Rule 8.12; Stanislaus County Probate Policy Manual (effective February 1985) § 1008; Tulare County Probate Rules (effective June 1, 1983) § 8(b); Tuolumne County Probate Rules (effective August 1, 1985) Rule 12.11(f); Probate Rules of Third District Superior Courts (effective December 1981) Rule 12.12(F).

To what extent do interested persons object to the fee sought by the attorney in California probate proceedings? The Questionnaire sought information concerning objections to the lawyers's fee by an interested person at the court hearing on approval of the fee.<sup>123</sup> There were few objections to the fee. More than three-fourths (78.8%) of the lawyers who responded to the Questionnaire reported that there were never any objections to their fee. Less than three percent reported that they had objections to their fee in five percent or more of their probate cases. One reason why there may be so few objections is that the court has no authority in California to reduce the statutory fee, even where the statutory fee may be unreasonable in view of the legal services actually provided. This also may explain why the court rarely reduces the legal fee as a result of an objection. More than 90 percent of the attorneys reported that in less than one percent of their cases was the fee reduced as a result of an objection by an interested person.<sup>124</sup>

It is clear that review of probate attorney fees (whether or not there are objections to the fee) consumes a significant amount of our judicial resources.<sup>125</sup> The Questionnaire sought information concerning the extent to which this review actually results in a reduction in probate legal fees.<sup>126</sup> Almost two-thirds (64.5%) of the attorneys reported that the probate court never reduces the fees they request. More than 83 percent reported that the court reduces their fees in five percent or less of their cases. Less than one percent reported that the court reduces their fees in more than 10 percent of

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123. See Appendix 1, Table R (Interested Person Objects to Attorney Fee at Court Hearing).

124. See Appendix 1, Table S (Fee Reduced by Court Because of Objection).

125. See Report of Ad Hoc Committee on Attorney Fees in Probate (May 15, 1985), reprinted as appendix to *Los Angeles County Probate Policy Memorandum in California Local Probate Rules* (8th ed. Cal. Cont. Ed. Bar. 1987), at 19-89 ("tremendous amount of the Probate Court's time is spent dealing with disputes over attorney's fees").

126. See Appendix 1, Table T (Fee Reduced by Court Where No Objection Made to Fee). See also Appendix 1, Table S (Fee Reduced by Court Because of Objection).

their cases. Since the probate court must fix the attorney fee for extraordinary services, it is surprising that the court so seldom reduces the requested fee. Perhaps the attorney requests a modest fee because the attorney knows that the requested fee will be reviewed by the court.<sup>127</sup>

It is important to recognize that there are important exceptions to the court fixing or approving attorney fees in connection with decedents' estates. These exceptions have been previously discussed.<sup>128</sup> But one exception that applies on and after July 1, 1987,<sup>129</sup> merits mention again. Ordinarily, formal probate is unnecessary if a surviving spouse takes all the property of the deceased spouse. A court order determining or confirming property passing to or belonging to the surviving spouse is all that is needed. The attorney fee for obtaining the court order is determined by private

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127. Some local court rules provide flat amounts that will automatically be allowed for federal estate tax returns and real estate sales. See, e.g., Alameda County Probate Policy Manual (effective January 1, 1986) § 1007 (real estate sale - corporate fiduciary \$450, individual fiduciary \$650; federal estate tax return - \$750 if no tax due, \$1000 when tax is due); Fresno County Probate Policy Memorandum (effective July 1, 1986) § 9.5(c) (sale of real property - \$450 on the first \$20,000 of the sales price and 1% of the sales price in excess of \$20,000; federal estate tax return - \$1,000); Lake County Probate Rules (effective July 1, 1986), Rule 13.4(f) (estate tax return with no tax liability - \$600, estate tax return with tax liability - \$500 plus amount equal to 1/5 of 1% the estate over the exemption equivalent; sale of real or personal property requiring noticed hearing on the personal representative's return and an order of confirmation - 1% of the sale price or \$250, whichever is greater; sale of perishable or depreciating personal property or securities on ex parte order - \$150); San Joaquin County Probate Rules (effective January 1, 1986) Rule 4-708(C) (routine court supervised sale - \$350 when sales price is under \$10,000, \$500 when sales price is between \$10,000 and \$100,000, and \$750 when sales price is over \$100,000); Santa Cruz County Probate Rules (effective January 1, 1986) Rule 405 (sale of real or personal property (other than listed securities) - under \$2,000, \$50, and if in excess of \$2,000, \$50 plus 1% of excess over \$2,000; federal estate tax return with no tax - \$500; federal estate return with tax - \$500 plus 1/5 of 1% estate over exemption equivalent).

128. See discussion, *supra*, under "Fee Charging in California--Attorneys' Fees Where No Formal Probate Proceeding."

129. Prob. Code § 13666 (added by 1986 Cal. Stats. ch. 783, § 24).

agreement between the attorney and the client and is not subject to approval by the court. The court reviews the reasonableness of the fee only if there is no agreement between the attorney and client and there is a dispute as to the reasonableness of the fee. The policy reflected in these provisions rejects the argument frequently made that the aged widow can be protected from the greedy attorney only if the court fixes or approves the attorney fee.

To summarize, in a formal California probate, the court must approve any attorney fee before it can be paid, whether the amount of the fee is determined by the statutory fee schedule or the fee is an additional fee for an extraordinary service. This is required even though there is no dispute over the fee. The review and approval of the statutory fee should require little court time. But a "tremendous amount of the Probate Court's time is spent dealing with disputes over attorney's fees."<sup>130</sup> This is because there may be disagreement as to what constitutes an extraordinary service and the amount to be awarded for extraordinary services. And the "dispute" may be the result of a difference of view between the court and the attorney as to what constitutes a reasonable fee, even though there is no objection to the requested fee by persons interested in the estate. Nevertheless, the fee requested by the attorney is seldom reduced.

#### Other States

States Using Uniform Probate Code Method. At least 15 states use the Uniform Probate Code (UPC) method to determine the extent of judicial review of probate attorney fees.<sup>131</sup> Under the UPC, the

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130. In 1984, the Presiding Judge of the Probate Department of the Los Angeles County Superior Court appointed an ad hoc Committee to help deal with the problem, "A tremendous amount of the Probate Court's time is spent dealing with disputes over attorney's fees." Report of Ad Hoc Committee on Attorney Fees (May 15, 1985), reprinted as appendix to *Los Angeles County Probate Policy Memoandum in California Local Probate Rules* (8th ed. Cal. Cont. Ed. Bar 1987), at 19-89.

131. See discussion, *supra*, under heading "Uniform Probate Code Method of Fixing Compensation of Estate Attorney."



personal representative, acting reasonably for the benefit of the persons interested in the estate, may hire the attorney and fix the attorney fee.<sup>132</sup> The court is not involved in fixing or approving the fee, but any interested person can get the court to review the fee.<sup>133</sup> The review may be obtained upon petition or motion of the person who is dissatisfied.<sup>134</sup> The UPC method -- the one most commonly used in other states -- saves judicial resources by limiting review to cases where there is a dispute concerning the fee.

States Where Reasonable Fee is Fixed or Approved by Court. The statutes of a number of states provide that the estate attorney is entitled to a reasonable fee and require that the fee be fixed or approved by the court.<sup>135</sup> Apparently, in these states, the court must fix or approve a reasonable fee in each case.

Most states that have a statutory fee schedule allow the estate attorney to request an additional reasonable fee for extraordinary services.<sup>136</sup> Apparently, the court must fix or approve a reasonable fee in each case where an additional fee is requested. In addition, the court must determine whether the services for which the additional fee is requested are ordinary services (for which no additional fee is allowed) or extraordinary services (for which an additional fee may be allowed).

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132. Unif. Prob. Code § 3-715.

133. See discussion, *supra*, under heading "Uniform Probate Code Method of Fixing Compensation of Estate Attorney."

134. Unif. Prob. Code § 3-721.

135. See discussion, *supra*, under "The Reasonable Fee Fixed or Approved by Court Method of Fixing Fees."

136. See discussion, *supra*, under "The Statutory Fee Schedule as Method for Fixing Attorney Fee."

## POLICY ISSUES AND RECOMMENDATIONS

### Should California Abandon the Statutory Fee Schedule?

#### Introduction

The statutory fee schedule is the primary target of those who initiated the study of the California Probate Code.<sup>137</sup> They believe the statutory fees in California are too high and propose to solve the problem by substituting the reasonable fee provisions of the Uniform Probate Code.

This view is well stated by a lawyer in a letter to the Commission:

I am sure that you will receive many criticisms of the fee schedule which essentially point out that the fee schedule is damaging to the public's purse. The consumer is in a no-win situation. If the estate is exceptionally easy, there is no discount. But if the estate is exceptionally difficult, the attorney is entitled to more. The exceptionally easy estate is now the rule because of the abolition of the inheritance tax and the increase in the unified credit for federal estate tax.

A 1981 California case quoted from an article in the Washington Post as follows:<sup>138</sup>

Percentage fees . . . for settling estates . . . are generally a ripoff. Some lawyers, to be sure, can't stomach them; but most, . . . think they are just dandy. There is little chance that this Legislature [Maryland], or any other, will do anything about this situation this year. But sooner or later lawyers are going to have to accept, or have imposed on them, the revolutionary idea that how much they charge a client should be related to how much work they do.

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137. See text, *supra*, at notes 3 and 4.

138. Estate of Effron, 117 Cal. App. 3d 915, 926, 173 Cal. Rptr. 93, appeal dismissed, 454 U.S. 1070 (1981), quoting from an article in the Washington Post as quoted in L.A. Daily J., Mar. 27, 1981, at 4.

Criticism of percentage fee charging continues unabated. An October 1987 article in Money Magazine<sup>139</sup> advocates use of a living trust to avoid the expense, delay, and other disadvantages of probate. The article discusses the cost of having a living trust drafted and the cost of administration of the trust after death by an institutional trustee. The article, using the California statutory fees as an example of unreasonable fees, then states:<sup>140</sup>

Even [the fees for a living trust] seem reasonable compared to the expense of probate. Traditionally, attorneys' fees have been based on the size of an estate or dictated by local custom. Only 13 states have set fee schedules, usually 1% to 11% of an estate's gross value. Generally, fees consume greater percentages of smaller estates. In California, for example, a lawyer handling a \$100,000 estate would earn at least \$3,150, or 3%, and \$61,150, or 2%, for probating a \$3 million estate. The attorney would charge additional fees for selling assets, preparing an estate tax return or defending the estate against claims by creditors or disgruntled survivors. Says John McCabe, the legislative director for the National Conference of Commissioners on Uniform State Laws: "The probate process has been a cash cow for attorneys. Small law firms pay their basic office expenses with probate fees."

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139. Topolnicki, *Planning a Hassle-Free Legacy*, Money Magazine, Oct. 1987, at 82.

140. Topolnicki, *Planning a Hassle-Free Legacy*, Money Magazine, Oct. 1987, at 84. There are several factual errors in the quoted material. There are only eight -- not 13 -- states that have statutory fee schedules. See note 80, *supra*. The statutory fee for probate of a \$3 million estate in California is \$41,150, not \$61,150 as stated in the quoted material. See Table 1, *supra*, under "Fee Charging in California--The Statutory Fee Schedule." Despite these errors, the quoted material is typical of the public reaction to the statutory fee schedule system for fixing probate fees.

The fact is that California statutory fees are high compared to the statutory fees in other states.<sup>141</sup> Only one state (Arkansas) has higher statutory fees; and, unlike California, the court in that state can reduce a statutory fee that is excessive.<sup>142</sup> The statutory fees in the other six states are less than the California fee.<sup>143</sup> The fee in Missouri is about half the California fee.<sup>144</sup> The carefully prepared *Stein Study* compared California probate fees to those in other typical states not having a statutory fee schedule. The *Stein Study* found that the California fees in 1972 were not out of line with those

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141. The statutory fees are compared in Table 6, *supra*, under "Comparison of California Fees With Fees Charged in Other States." The comparison is made using what is considered a typical case not involving extraordinary services. See Appendix 2.

Despite evidence to the contrary, some California lawyers believe that California probate fees are among the lowest in the nation. Responses to the Questionnaire included the following:

California has about the fastest probate and lowest fees in the U.S.

Virtually every matter we are aware of in states with [the UPC attorney fee provisions] generates larger fees than under our current system. . .

The statutory fees, which are lower than fees charged by lawyers in many states back East, are reasonable . . .

142. In most states having a statutory fee schedule, the court can reduce the statutory fee where it would be excessive under the circumstances of the particular estate. See Table 6, *supra*, under "Comparison of California Fees With Fees Charged in Other States." As Table 6 indicates, a Delaware court rule establishes a probate fee schedule that is higher than the California schedule, but the court rule provides that the fee schedule is a ceiling on the attorney fee and is not to be charged in all cases.

143. See Table 6, *supra*, under "Comparison of California Fees With Fees Charged in Other States."

144. See Table 6, *supra*, under "Comparison of California Fees With Fees Charged in Other States."

in the other states,<sup>145</sup> but since then the California statutory fees have been substantially increased.<sup>146</sup>

It is not just the California statutory probate fees that concern the general public. The image of California lawyers has sunk to a new low in recent years, according to the State Bar's new president, Terry Anderlini. The general public, he said, "is displaying a profound and growing distrust of the legal system and the participants in that system, especially the lawyers."<sup>147</sup> During recent years, the attorney discipline system has been under attack, and efforts have been made to move lawyer discipline from the State Bar to another state agency.<sup>148</sup>

One result of this growing distrust is a new California law that goes into effect on January 1, 1987. The new law is designed to protect against excessive attorney fees by requiring that there be a written fee agreement between the lawyer and the client.<sup>149</sup>

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145. See Table 3, *supra*, under "Comparison of California Fees With Fees Charged in Other States."

146. The California statutory fees have been increased 19.8 percent on an estate of \$100,000, 24 percent on an estate of \$400,000, 44.4 percent on an estate of \$800,000, and 52.4 percent on an estate of \$1 million. See Table 5, *supra*, under "Comparison of California Fees With Fees Charged in Other States."

147. Quoted in *The Daily Recorder*, Sacramento, Monday, Sept. 21, 1987, Vol. 76, No. 188, at 1, 4.

148. See, e.g., Bascue Confirmed as the First State Bar Chief Trial Counsel, *The Daily Recorder*, Sacramento, Tuesday, Sept. 22, 1987, Vol. 76, No. 189, at 2.

149. The new law is discussed, *supra*, under "Fee Charging in California--Fee Agreements."

Most California probate lawyers support the concept of a statutory fee schedule. The Questionnaire asked whether the lawyer favored adoption of the Uniform Probate Code scheme for fixing the fees of the personal representative and estate attorney. Only 24 percent want the UPC scheme.<sup>150</sup> Other lawyers, who did not favor the UPC scheme, have no problem with the elimination of the statutory fee schedule, but they wish to retain the requirement of court approval before fees can be paid. The lawyers were given an opportunity to explain why they were for or against the UPC scheme. Their comments are set out in Appendix 3. Relevant comments are set out in various portions of this text.

Probate lawyers seem to be unaware of the public dissatisfaction with lawyers and their fees. Few feel that the statutory schedule for probate fees is a source of resentment against attorneys and the California probate system.<sup>151</sup>

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150. See Appendix 1, Table O (Uniform Probate Code Scheme for Fixing Fees).

151. A few lawyers responding to the Questionnaire felt that the existing fee setting system creates hostility toward probate attorneys and the probate system:

In today's inflationary times, the statutory fee is excessive. We (lawyers) already have a reputation for gouging and I'd like to turn that around.

[Adoption of the UPC provisions] would defuse resentment against attorneys, the court system and probate procedures.

More typical comments are:

[Adoption of the UPC provisions] will further put the profession in disrepute -- the present statutory plan is generally fair and certain.

I have heard no objection to the current procedures [for fixing attorney fees] which provide for a system of judicial review and approval.

Why fix something that isn't broken?

I think clients are comfortable with the concept of court supervision and approval of compensation.

I'm getting old -- I resent change -- I think the old system works well.

The American Bar Association has condemned rigid adherence to statutory fee schedules as frequently unfair to beneficiaries of estates, to personal representatives, or to the attorney.<sup>152</sup> The California fee schedule can result in inflated charges in simple estates and additional charges in complex estates. There is no relief from inflated charges, since the court cannot reduce the statutory fee when it is unreasonably high. But the attorney is protected where the statutory fee is inadequate because he may get an additional fee if he provides more than ordinary probate services.

#### Lawyer Self-Interest and Lawyer Distrust

The *Effron* case states that many view the probate fee system "as having been forged through an amalgam of lawyer self-interest and lawyer mistrust."<sup>153</sup> Responses to the Questionnaire reflect both lawyer self-interest and lawyer distrust.

Lawyer self-interest. Responses reflecting lawyer self-interest in preserving the statutory fee schedule include the following:

[The statutory fee system] protects lawyers like me who are shy about money.

Survivors should not be forced to shop around for prices.

[Adoption of the UPC provisions] would induce "shopping" & improper advertising. . . . I think adoption of the [UPC provisions] would just promote rabid competition by some offices, with heirs going from office to office to check out the lowest bids.

Fee schedule reduces arguments with clients.

Adoption [of the UPC provisions] would set in motion a search for cut-rate fees and probably services not well rendered.

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152. See text, *supra*, at note 14.

153. Estate of *Effron*, 117 Cal. App. 3d 915, 926, 173 Cal. Rptr. 93, appeal dismissed, 454 U.S. 1070 (1981).

Clients seem to accept the fees if the code sets them. I feel they might start complaining if we set our own.

Statutory fee avoids fee shopping.

Clients are more likely to accept a statutory fee. The [UPC provisions] would lead to litigation, fee cutting, and difficulty in attorney-client relations.

Present system works. Do not have to spend a lot of time negotiating fees. All know where they stand in the beginning.

I would not be able to meet my overhead if the clients could dictate the amount of the fees. I would probably go out of business.

The self-interest of one lawyer caused him to take a contrary view:

Believe that level of competition among lawyers would act to lower prevailing fee for probate if negotiated fees were the norm, and therefore our business would increase since our firm can compete on price.

Conflict of interest. The statutory fee schedule also presents the estate planning attorney with a conflict of interest:

But the fact that the schedule results in inappropriate fees is only part of the problem. Of greater concern to me is that the fee schedule results in poor legal services being rendered to the public by 1) encouraging attorneys to attempt to practice in this area when they are not competent to do so, and 2) by presenting estate planning attorneys with a conflict of interest with respect to such problems as: A) whether to plan to avoid probate, and B) asset valuation.<sup>154</sup>

If the attorney prepares a trust for the client, the statutory fee schedule will not govern the legal fee for work in connection with the trust after the client's death, and the fee for the trust work almost certainly will be far less than the statutory probate fee. The attorney also has a conflict of interest in valuing the assets of the estate. The higher the value the greater the attorney fee (and the greater the federal estate tax if the estate is subject to that tax).

There is another possible conflict of interest created by the statutory fee schedule. The fee for ordinary probate services is fixed

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154. Letter on file with California Law Revision Commission.



by the statutory fee schedule. The attorney gets the statutory fee without regard to the quality and amount of services provided. The lawyer can obtain the highest per hour fee by doing the minimum amount of work needed to complete the probate of the estate.<sup>155</sup> Under a reasonable fee standard, the lawyer's fee should depend on the quality and amount of service provided.

Distrust of lawyers. Many of the responses to the Questionnaire reflect public distrust of lawyers. Typical of these responses are the following objections to adopting the UPC attorney fee provisions:

This would lead to blatant abuses.

The statutory fee schedule keeps attorneys & executors from depleting an estate by excessive fees.

I believe a significant number of clients would be harmed by unethical attorneys.

Too many elderly widows, etc., would be susceptible to overcharge with few actual objections.

Best policy is current policy because it avoids overreaching.

Subject to abuse and excessive charges.

Lead to collusion between attorney & representative.

Clients are suspicious enough of attorneys and would not trust an hourly or other rate where they would have no way to check the time actually expended.

Too many unaware persons could be overcharged.

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155. A few lawyers take the view that the statutory fee permits them to provide quality services that the client would otherwise not obtain because the client would be unwilling to pay a sufficient fee:

Adoption [of a reasonable fee system] would set in motion a search for cut-rate fees and probably services not well rendered.

Negotiation between the personal representative and attorney would encourage extensive fee shopping and encourage minimum work or services to be performed by cut rate attorneys.

I see no benefit to the public by eliminating the statutory fee for work actually performed in probate. I think it would cause a decline in services and an increase in complaints.

I believe it will give rise to abuses and excessive attorneys fees.

Distrust of lawyers was the major concern that had to be overcome in the effort to substitute the UPC fee provisions for the statutory fee schedule in Utah. Some legislators were concerned that the UPC provisions might permit lawyers to charge unreasonably high probate fees. But Utah enacted the UPC provisions in 1987 after it was explained to the concerned legislators that the fees under the Utah statutory fee schedule had in effect become minimum fees and that the fees often were unreasonably high.<sup>156</sup>

Consumer groups and others have sought to obtain enactment of the Uniform Probate Code in order to reduce the delay and expense of probate. An important goal of these groups is to substitute the UPC fee provisions for statutory fee schedules. They believe that the UPC provisions avoid the excessive fees that can result under statutory fee schedules. They feel that this benefit far outweighs the possibility that lawyers will charge excessive fees under the UPC provisions.

Consumer groups have been able to achieve their goal in a number of states. The UPC provisions have replaced statutory fee schedules in a number of states.<sup>157</sup> The UPC method is now the one most commonly used in other states to fix the compensation of the estate attorney.<sup>158</sup> There is no showing that enactment of these provisions has resulted in higher fees. In fact, several studies collected empirical evidence showing that fees may decline somewhat under the

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156. The author of the Utah legislation was a lawyer member of the Utah Legislature. He was concerned about the unreasonably high fees that were charged in some cases under the statutory fee schedule. Information concerning the Utah legislation was obtained by telephone from Susan Cleager, Office of Legislative Research and General Counsel, Utah.

157. See discussion, *supra*, under "The Uniform Probate Code Method of Fixing Compensation of Estate Attorney."

158. See discussion, *supra*, under "The Uniform Probate Code Method of Fixing Compensation of Estate Attorney."

UPC.<sup>159</sup> Accordingly, distrust of lawyers and fear of higher fees is not a justification for keeping the statutory fee schedule.

### Subsidizing the Small Estate

The statutory fee schedule provides a fee for conducting the ordinary probate proceedings. "Ordinary services" are those likely to be required for almost every estate.<sup>160</sup> Where "extraordinary services" are required, the attorney is entitled to reasonable compensation, the amount of which is determined by the court.<sup>161</sup>

One attorney who responded to the Questionnaire commented:

Two justifications I know of for the present statutory fee system are (1) that the amount of attorney effort required corresponds to the appraised value of the assets and (2) that the attorney will be overpaid in as many estates as he is underpaid. In my experience, the first justification is not true and the second, if true, results in some clients subsidizing work done for others.

Although a number of lawyers justified the statutory fee schedule on the ground that it is "fair" or "reasonable," the overwhelming majority did not seek to justify the statutory fee schedule as providing a fee that is closely related to the value of the services provided. Instead, many lawyers view the statutory fee schedule system as one that subsidizes the small estate by charging to the large estate fees that often will be excessive in view of the services rendered.

Relevant comments of respondents to the Questionnaire are set out below:

Statutory fee structure is generally high in estate of \$100,000 or more if attorney is skilled probate

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159. See discussion in text, *supra*, at notes 75-77. A recent magazine article states, however, that benefits of adopting the UPC in most states "have, in large measure, been retained by the probate lawyers, who are getting the same high fees for a lot less work." Spelvin, *Of Wills and Probate*, Sylvia Porter's Personal Finance, June 1984, at 84.

160. See discussion in text, *supra*, at note 31.

161. See discussion in text, *supra*, at notes 33 and 34.

attorney. Very frequently attorney receives an average of \$400-\$600 per hour for time spent. Size of estate is generally not related to work involved. (Emphasis in original.)

Far too often, the statutory scheme is completely unrelated to the amount of work involved; a percentage scheme misallocates cost of providing legal services.

Clients in larger estates often require [a negotiated lower fee] now. The larger estates no longer cover the smaller estates and they must now start paying their own way or more and more attorneys will refuse to handle them.

Small estates run up a bill that is never paid while large estates feel the attorney is over compensated.

Most attorneys . . . are forced to adopt a "on some you make extra" / "on some you lose your shirt" attitude because the fee is not necessarily related to the actual work required.

For 30 years I have accepted all probate matters even if the fee was \$2,000 or less before \$630 became \$60,000. The correlation of values of work performed and statutory fee schedule is satisfactory and fair.

Statutory fee is of substantial benefit to smaller estates, where extraordinary fees normally are not recoverable and attorneys' hourly rates for time expended often exceed recoverable fee.

We generally lose money on the smaller estate that is less able to pay the full hourly. However, we break even on the larger estates to offset the losses on the smaller estate. An hourly rate would shift fees to the smaller estates.

[Adoption of the UPC provisions] would preclude effective representation of smaller estates.

[Adoption of UPC provisions would] probably end windfalls on large estates, but would end losses on small ones.

Those of us fortunate enough to handle large estates can afford to be generous; but if you try to provide all necessary services including tax planning in smaller estates you probably will lose your shirt.

The fees we collect, especially in small estates of under \$150,000 just cover our services, so we are doing okay--not great but okay. I think [adoption of the UPC

provisions] would result in a traumatic increase in fees in small estates.

I believe that in many cases the statutory fee produces an excessive attorney fee. Often, a large estate with few beneficiaries and primarily liquid assets results in a windfall [for the attorney].

I think I can predict the result [of adopting the UPC provisions]. We will then do all probate work on a hourly basis. Some big estates will pay considerably less. Most small estates (\$100,000.00 or less) will pay more.

Only one attorney sought to justify the existing California fee structure on the ground that it subsidized other legal services provided as a "loss leader:"<sup>162</sup>

The existing fee schedule helps compensate for many services to older people (particularly, in planning their wills, bank accounts, powers of attorney, etc.) for which an attorney cannot charge adequate fees. Probate fees are vital to help maintain an expensive law office for the good of the public we serve.

*The important policy issue is whether California should continue to subsidize the small estate at the expense of the large estate.*

The *Stein Study*<sup>163</sup> has a good statement of this effect of percentage fee charging:

A percentage fee charging system also may make legal services more affordable in smaller estates by shifting to larger and more profitable estates some of the costs of administering smaller estates, as well as by shifting overhead expenses properly allocatable to the smaller estates.

The Commission has decided that the probate referee system can be retained only if some estates subsidize others. The Commission proposes a system where the fee charged has no relation to the difficulty of appraising the particular property in the estate. For

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162. This is consistent with the conclusion of the *Stein Study* that "it is unlikely that estate planning work can be done now as a 'loss leader,' if ever that was the case." Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1193 (1984).

163. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1175 (1984).

example, the fee for appraising \$250,000 of stock listed on the New York Stock Exchange is the same as the fee for a difficult appraisal of improved real property of the same value. The result is that the estate that contains the easy-to-appraise listed stock pays a fee that subsidizes the estate with the difficult-to-appraise real property. This result is justified on the ground that otherwise the probate referee system could not be retained. If only the most difficult property were to be appraised by the probate referee, there would not be enough business to have qualified referees available to make the appraisals, and a complex fee structure would be necessary.

The vast majority of states have adopted the policy of having each estate pay a reasonable fee for the legal services required to administer that estate. In these states, one estate is not required to subsidize another, and the size of the estate is only one consideration in determining the legal fee.<sup>164</sup> The policy issue is whether small estates should be subsidized at the expense of the large, easy-to-administer estate.<sup>165</sup> In considering this policy issue, it should be recognized that some attorneys will refuse to take a small estate. This practice casts doubt on whether the excessive fee for some large estates actually does benefit small estates.

#### Simplicity and Certainty

One benefit of a statutory fee schedule is that it permits the fee for ordinary services to be determined easily and with certainty. The statutory fee schedule is applied to the "estate accounted for" to

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164. The risk or responsibility assumed should be considered in determining what constitutes a reasonable fee. The size of the estate is a significant factor in determining the risk or responsibility assumed.

165. The statutory fee schedule is used to compute the legal fee for ordinary probate services. If the large estate requires more than ordinary probate services, the attorney is entitled to an additional fee for the extraordinary services. See text, *supra*, at notes 17 and 18.

determine the fee.<sup>166</sup> Although the statutory fee is easy to compute, most probate courts require the lawyer to provide the details on computation of the statutory fee so that the court can check the accuracy of the attorney's computation before making an order approving the fee.<sup>167</sup>

Some of the responses to the Questionnaire mention this advantage of the statutory fee schedule:

[The UPC fee scheme] creates another area of possible dispute. For better or for worse the statutory fee provides some guidance and certainty.

Fees are . . . easily understood by the client and the attorney.

Do not need to spend a lot of time negotiating fees. All know where they stand in the beginning.

[The UPC fee scheme] would create uncertainty, resulting in the increased likelihood of litigation.

System minimizes fee disputes.

Present system minimizes controversy.

The statutory fee schedule . . . provides a readily determined fee for probate services.

[T]he present statutory plan is generally fair and certain.

[E]veryone knows in advance what the fee will be.

The current percentage method is easy for the client to understand.

Statutory fees are uniform and understood clearly by client.

As it now is, the ordinary fee is ascertainable by an independent standard (fee schedule). Clients are suspicious enough of attorneys and would not trust an hourly or other rate where they would have no way to check the time actually expended.

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166. See discussion, *supra*, under "Fee Charging in California—The Statutory Fee Schedule."

167. Local court rules generally require that the manner in which the statutory fees are computed be shown in the petition for approval of the fees. See discussion in text, *supra*, at notes 119-120.

The statutory fee schedule does provide certainty where the estate is one that requires only ordinary probate legal services. But this certainty comes at a high cost. The statutory fee is not related to the legal work required for the particular estate. The statutory fee for legal services provided to a large, simple estate results in a windfall to the attorney.<sup>168</sup> And the court cannot provide relief against this windfall; California is one of only four states where the court cannot reduce a statutory fee that is clearly excessive under the circumstances of the particular case.<sup>169</sup>

If California were to follow the lead of the majority of other states<sup>170</sup> using a fee schedule and permit the court to reduce the statutory fee where clearly excessive, the certainty now provided by the fee schedule would be somewhat undercut. This is because the persons interested in the estate would have a right to court review of the reasonableness of the statutory fee; and, notwithstanding the statutory fee schedule, the court would have to determine the reasonableness of the fee under the circumstances of the particular estate.

Where the estate requires more than ordinary probate legal services, the California fee system does not provide certainty. The attorney is entitled to an additional fee for the extraordinary services, and the court must fix the reasonable value of those services.<sup>171</sup> The responses to the Questionnaire indicate that most lawyers request additional compensation in at least 25 percent of the estates they handle.<sup>172</sup> In addition, there is some uncertainty in what constitutes an extraordinary service, and court time may be required to determine whether the particular service rendered is one

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168. See, *supra*, note 97.

169. See Table 6, *supra*, under "Comparison of California Fees With Fees Charged in Other States."

170. See Table 6, *supra*, under "Comparison of California Fees With Fees Charged in Other States."

171. See discussion in text, *supra*, at notes 27-40.

172. See Appendix 1, Table D (Charging Extraordinary Fees).



for which the attorney is entitled to additional compensation.<sup>173</sup> Moreover, some probate courts review all the legal services provided to determine whether the statutory fee is sufficient to cover those services, including the extraordinary services.<sup>174</sup> As a result, court review of probate legal fees consumes a significant amount of our judicial resources.<sup>175</sup>

For these reasons, the advantage of simplicity and certainty provided by a statutory fee schedule is achieved only to a limited extent in California, and then only at the cost of a windfall to the attorney under some circumstances.

#### Increased Litigation Over Fees

Some attorneys view the advantage of simplicity and certainty in a different way. They believe that to substitute a reasonable fee system for the statutory fee system would cause disputes as to what constitutes a reasonable fee and would require more court involvement in fee disputes. The following responses to the Questionnaire take this view:

[The reasonable fee] creates another area for dispute.

[A reasonable fee system] [b]reeds litigation.

[A]dditional litigation over fees.

[Statutory fee schedule] prevents a lot of potential disputes over nothing.

[Reasonable fee system would cause] increased fee disputes.

[Reasonable fee system] would create disputes.

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173. See discussion in text, *supra*, at notes 28-34.

174. See text, *supra*, at notes 38 and 39.

175. See Report of Ad Hoc Committee on Attorney Fees in Probate (May 15, 1985), reprinted as appendix to *Los Angeles County Probate Policy Memorandum in California Local Probate Rules* (8th ed. Cal. Cont. Ed. Bar 1987), at 19-89 ("A tremendous amount of the Probate Court's time is spent dealing with disputes over attorney's fees").

[Reasonable fee system] invites litigation whether merited or not.

Too much time wasted fighting over fees.

[Present California system] minimizes fee disputes.

Present system minimizes controversy.

[Reasonable fee system --] Too much trouble, and too much opportunity for dissension.

[Reasonable fee system] would result in more litigation regarding fees.

[Reasonable fee system] would create too many fee arguments.

Without [the statutory fee schedule] more attorney and court time is spent fixing fees than handling the clients' problems.

[Under reasonable fee system] [lots] more time would go into recording time & litigating fees.

The California probate courts now devote a substantial amount of time to probate attorney fees.<sup>176</sup> The court is required to review the fees, and fix reasonable fees for extraordinary services, even where the persons interested the estate have no objection to the amount of the attorney fee. As to the extent to which attorneys request reasonable additional compensation for extraordinary services, see Appendix 1, Table D (Charging Extraordinary Fees). That table indicates that about 14 percent of probate lawyers never request additional compensation for extraordinary services. Most lawyers request additional compensation for at least 25 percent of the estates they handle.

The UPC provisions on attorney fees restrict court involvement to cases where there is a dispute concerning the fee. One attorney has suggested that a reasonable fee system be adopted and that the Independent Administration of Estates Act be extended to cover attorney

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176. See note 175, *supra*.

fee contracts. He believes that this would minimize the need for the court to determine fee disputes.

Litigation on fees might be reduced rather than increased if a reasonable fee system were adopted in California and the review of the fees were limited to cases where there is an objection from an interested person. The distinct trend in other states is to abandon the statutory fee schedule in favor of the UPC provisions concerning fees. It is doubtful that this trend would continue if the adoption of the UPC fee provisions in other states resulted in a burdensome amount of litigation concerning fees.

#### Concern That Courts Will Not Allow Fair Reasonable Fees

A matter of serious concern to some attorneys is their belief that the courts are not qualified to or will not take the time to make a fair decision as to what constitutes a reasonable fee. This view is based on experience in requesting additional reasonable fees for extraordinary services. Some lawyers take this view but nevertheless desire to keep the statutory fee schedule. Others who share this view would adopt the UPC fee provisions in California.

The following responses to the Questionnaire reveal this concern:

Many probate judges lack experience (or the time to become informed) in technical matters, e.g., tax, and make fast, rule-of-thumb decisions on fees.

Judges have no idea of how expensive it is to practice.

[T]o the extent the statutory fee is inadequate, extraordinary compensation is available (although courts are increasingly reluctant to grant it).

Most judges reduce fees because they never worked in private practice before being on the bench.

[A reasonable fee system] would (1) create uncertainty, resulting in the increased likelihood of litigation, and (2) would be practically unworkable since many probate judges, with little or no experience, would rely on the repealed statutory fees as a standard.

I'm tired of the prejudice against paying my fee from both the courts and the clients. The courts feel it's absolutely necessary to reduce extraordinary fees. In some difficult estates due to the time involved and the

risk of getting no benefit to the estate and thus disapproval of your fee, the cases are essentially becoming contingency cases with no contingency benefit.

Some probate judges are unaware of the cost of law practice when it comes to awarding fees. One judge I have appeared before does not give more than \$85.00 per hour for extraordinary services and another gives \$100. This is regardless of the quality of the work performed, the skills of the attorney performing it, and the general overhead we encounter. Under no circumstances would I want to make our fees completely discretionary with the court as I find some judges to be arbitrary.

Courts often unreasonable regarding allowable hourly rates for experienced counsel.

Courts are out-of-touch with what it costs to run a law office and they uniformly view our fee requests with an unnecessarily jaundiced eye. I have no such problems with most of my clients.

[The UPC fee provisions] would eliminate local court prejudice against out of town attorneys.

Our probate courts and commissioners are excessively involved and inadequately qualified in many aspects of the work--and most often in matters involving fees and tax questions.

Also, the recent display of arbitrariness by our local court on the subject of extraordinary fees shows how the current system can jeopardize one's livelihood.

There is also concern among practitioners that low paid court bureaucracies and modestly (depending on the point of view) paid judges will not be reasonable in determining fees. I share the concern, but the practitioner is in a far better position to protect himself from judicial caprice than the heirs are to protect themselves from a fee schedule that overcompensates low quality work.

The concern of these lawyers is a reason why many of them favor the statutory fee schedule. They fear that under a system where the court is required to fix a reasonable fee, the fee fixed by the court will not actually be a reasonable fee. Under the UPC fee provisions, the court becomes involved only if some interested person objects to the fee. In addition, at least nine states and the District of Columbia have statutory statement of the standard or factors that are

to be taken into consideration in determining what constitutes a reasonable attorney fee.<sup>177</sup> Some of these states are UPC states. The addition of such a statement to California law might provide a better standard for California probate courts in determining what constitutes a reasonable fee.

Personal Representative Not Qualified to Make Fee Agreement

Some lawyers who responded to the Questionnaire favor the statutory fee schedule because they believe that the personal representative is not qualified to determine what constitutes a reasonable fee or will be emotionally unable to deal with the fee question:

Lay persons have no rational conception of the complexity of modern day probate proceedings.

Without court supervision in my opinion there would be an abuse of the fee charged, because of lack of knowledge on both the attorney and the inexperienced personal representative except for the probate specialist.

Most clients do not understand the complexity of probate and the amount of time it takes.

Statutory fee is preferable in that otherwise a fee agreement must be reached at outset and that is a difficult (emotional) time for the family to consider such.

Probate proceedings come at a difficult time for many families. Not having to negotiate a fee at that time is one less burden we place on them. Clients do not understand probate or the ancillary services (transfers, tax planning, etc.). . .

Probate is often a matter a person gets involved in once in a lifetime. They don't know what is a reasonable fee . . .

Personal representatives and heirs generally have no idea what an adequate fee should be.

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177. See discussion, *supra*, under "Standards or Factors to be Taken Into Consideration in Determining Amount of Attorney Fee."

The court should set the fee to protect the unsophisticated beneficiary. The statutory fee works—but even if it were repealed, the court should still have the power to review fees in all cases.

Few clients have any understanding of an "appropriate" fee.

Present system is more fair and acceptable to unsophisticated persons who are representatives or heirs of estate.

At time of death, the prospective client is often an heir/legatee, & not in position to bargain.

I do not think personal representatives as a general rule have the experience or knowledge to know what the fee should be.

Client would be at unfair disadvantage due to ignorance in negotiating a fee agreement for the handling of the probate.

There are some other reasons [for abandoning the statutory fee schedule], but they were so poorly addressed by the old system that there is no need to fear that a new system would do worse. For example, there is some concern that grieving heirs are in no condition to argue about fees, but the current system actually aggravates this problem—because the opportunity to negotiate the fee disappears within a few days of death. (Most heirs I've dealt with were plenty capable of discussing fees by the time the probate process was over—and I think most would do so in cases of overreaching if the attorney did not have a law of the State of California backing up his outrageous fee demand.)

The concern is often expressed that the grieving widow is unable to negotiate the fee for the legal services to probate her spouse's estate. However, probably in most cases the estate of the deceased spouse is handled under Probate Code Sections 13650-13660 (petition for order for determination or confirmation of property passing or belonging to surviving spouse). The attorney's fee for services in connection with this procedure is determined by private agreement

between the attorney and client and is not subject to approval by the court.<sup>178</sup>

In a significant number of additional cases, the decedent's estate is governed after death by the terms of a living trust. In these cases, the fee for legal services is determined by agreement and is not approved or reviewed by the court.<sup>179</sup>

Where the value of the decedent's real and personal property does not exceed \$60,000, an informal procedure can be used and a formal probate proceeding can be avoided.<sup>180</sup> The attorney's fee for services in connection with the informal procedure is determined by agreement between the attorney and client and is not subject to approval by the court.

In the remaining cases, there is a need for a formal probate proceeding, and the attorney fee is fixed by the court using the statutory fee schedule, and additional fees fixed by the court for extraordinary services.<sup>181</sup> The question is whether in these remaining cases the attorney fee should be fixed by agreement between the attorney and client, the same as for nonprobate decedent's estates and other legal matters.

#### Fee Schedule Subject to Negotiation

A few attorneys pointed out that the fee schedule is subject to negotiation and suggested that this feature of the existing system protects against excessive fees for ordinary services. A few attorneys suggested that the public needs to be educated to the fact that the fee is negotiable. The following comments concerned this matter:

However, client/public need to be educated to the fact that fee for ordinary services is negotiable.

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178. See note 44, *supra*.

179. See note 41, *supra*.

180. See discussion, *supra*, under "Fee Charging in California--Attorneys' Fees Where No Formal Probate Proceeding."

181. See discussion, *supra*, under "Fee Charging in California."

It is already possible for personal representative [to contract] for less than statutory fee.

Statutory fees are important safeguards for the client since they set a maximum rate. There is no prohibition against reducing the statutory fee & many attorneys do so.

I do not think personal representative as a general rule would have the experience or knowledge to know what the fee should be. . . . In any event, an experienced personal representative has the ability to negotiate the fees downward under the current probate scheme. They just can't have the ability to adjust the fees upward.

The fact is that as a matter of practice the statutory fee is the minimum fee in California.<sup>182</sup> There is no reason to believe that clients are informed that the statutory fee is negotiable. Most lawyers never charge less than the statutory fee for ordinary probate services. More than 90 per cent ordinarily charge the statutory fee.

#### Comments Supporting Adoption of UPC Fee Provisions

Some lawyers who responded to the Questionnaire gave reasons supporting their view that California should adopt the UPC provisions governing fees of the personal representative and the estate attorney:

This would make probate work fit in better with the overall economics of law practice.

Statutory fees do not benefit client when paralegal services are utilized; only the attorney benefits.

Most non-probate services are subject to private contract between attorney and client. I see no reason to continue the antiquated practice of involving the court in fee determinations if nobody objects. Indeed there are some extraordinary probate-related services which should not be placed on public record to support a fee award. Examples of this may be settling a tax fraud case for a well-known person who may not want the accusation to be public; or negotiating a settlement by someone claiming to be an illegitimate child. The lawyer is placed in the position of trying to protect

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182. See discussion in text, *supra*, at notes 25-26.



the client's privacy and trying to justify to a court the amount of the fee, when the client already approves the fee. If a superb result is obtained as a result of settlement negotiations, it would be foolhardy for the client or the lawyer to flaunt the result on the public record to support the fee. The probate court should be involved only if there is a dispute as to the fee.

Corporate fiduciaries provide more services which would otherwise be performed by attorney; estate should benefit from decreased attorney involvement.

We're way off base now. My fee nearly always is based on hourly basis because I have ongoing business relationships with these people, who also are friends. Other reasons:

1) Usually I've prepared the will/trust/whatever & paved the way for orderly probate.

2) In today's inflationary times, the statutory fee is excessive. We (lawyers) already have a reputation for gouging and I'd like to turn that around.

3) Monthly bills paid are more appreciated by my bookkeeper than pay-when-done bills. Also, they're predictable cash-flow-wise.

Under present provisions there is overcompensation in some estates and under compensation in others. Fees should be determined as in other matters by agreement with the client.

This would defuse resentment against attorneys, the court system and probate procedures.

This would cause administration of estates to be charged as are other legal services; Problems could arise, but the "fixed schedule syndrome" resented by the public would be eliminated.

In small estates, we can't handle because fees too low. Allow charging for paralegal time in extraordinary fee matters!

Statutory fees are often exorbitant where there is a corporate executor who does most of the work. Fees for extraordinary services are often claimed without regard to the adequacy or inadequacy of statutory fees.

My clients are financially sophisticated and thus the court's involvement in the executor, trust and attorney's fee determination is not usually needed or desirable.

Fee schedule is capricious--frequently over compensates.

Current statutory fee as a % is not fair to estate--too high in most cases; too low in others (few).

It would be fairer and avoid windfalls to attorneys. If a case justifies a large fee, presumably the attorney will obtain an adequate fee by demanding such to take the case, as we do in any other litigation or legal matter.

A large portion of my practice is trusts. A primary client consideration is large attorney court costs for probate.

I always keep track of my time, and I only charge extraordinary fees to the extent the statutory fee doesn't cover my rates. It's only fair. While I long for that \$10 million probate estate, I always use living trusts for my wealthy clients; a percentage fee on some estates is not reasonable. The [UPC fee provisions] provides for services according to effort expended.

I approve because this would make fees reasonable in relation to services performed in probate cases, just as they now are in non-probate cases (emphasis in original).

Time and effort would be rewarded rather than simple gross value.

The courts are too much involved in the probate process. Where there is no disagreement among the beneficiaries or creditors, it should be a summary process.

Clients should be free to select their own attorneys and agree to a basis for fees. So long as all interested parties have notice, the court should not be involved. Better lawyers should charge more.

A reasonable fee will be more likely to heirs.

Present practice in general results in a fee too high for the nature and extent of services rendered.

It seems to me to be a waste of the court's time to review and approve fees when no dispute or objection to fee request, but potential for abuse.

I think charging for probate work on a time basis (hourly rate) is fair and would be preferable to the existing schedule.

It would bring probate practice under the fairer guideline of time involved in accomplishing the desired result. Most estates would wind up paying less in fees.

A well planned estate should only be liable for the time and effort to wind it up. But a "deferred maintenance" estate ought to pay now for what it didn't pay then, without the attorney footing the bill.

I believe that the attorney's fee should be primarily based on time, with weight given to the complexity of the estate and efficiency and qualifications of counsel. In short, why shouldn't probate fees for attorneys be determined in the same way as other fees?

### Summary

The policy issue is whether a reasonable fee provision should be substituted for the statutory fee schedule in California. The views of probate attorneys differ on this issue. About 25 percent of the attorneys believe that probate fees should be fixed by agreement between the personal representative and the attorney with an appropriate provision for review by the court if an interested party objects. They believe that this would avoid the windfalls that result under the statutory fee schedule and minimize the involvement of the courts in probate fees. They believe that the existing fee system frequently overcompensates the attorney. They believe that a system providing for a reasonable fee and court review only upon objection would reduce the amount of court involvement in attorney fee matters. Other attorneys would substitute a reasonable fee system for the statutory fee system, but would require court review of the fees in every case, not just when an interested person objects.

A clear majority of the attorneys favor continuation of the existing statutory fee schedule system. The most significant objection they make to the adoption of a reasonable fee system is that it would require each estate to pay a reasonable fee based on the legal services provided to that estate. The objectors point out that under the existing California scheme, the excessive fee charged to the large estate with liquid assets subsidizes the small estate. The policy issue is whether this scheme should be continued in California.

Another question is whether adoption of the reasonable fee scheme would increase the litigation concerning attorney fees. The UPC method of fixing the lawyer fee permits the personal representative and the attorney to make an agreement fixing a reasonable fee and avoids

the need to devote court time to fixing the fee unless an interested person requests the court to review the fee. Under existing California law, the attorney is entitled to the statutory fee unless the client and attorney make an agreement for a lower fee. Replacing the statutory fee schedule with a reasonable fee fixed by contract would permit the large, simple estate to avoid paying an exorbitant fee. Permitting an interested person to obtain review of the fee would tend to restrain agreements for excessive fees. The primary difficulty with the UPC method is that it imposes on the person seeking to obtain court review of the fee the burden of taking appropriate action to obtain court review. Under existing California law, court review of the fee is automatic.

One lawyer has suggested adoption of the UPC scheme with the following additional features designed to fit the UPC scheme into the California probate system:

I would suggest however that the determination of fee be kept out of the court system to the maximum extent possible:

A. Court review should be waived in the same manner as a waiver of account.

B. For independently administered estates, the fiduciary should be able to pay the fee by following the advice of proposed action procedure. The statute could require specific statutory language advising the heirs of the right to have the matter referred to the court.

C. For the presumably small percentage of cases not removed from the system by the foregoing procedures, court review will be necessary. We already do this for extraordinary fees and there is a considerable body of law pertaining to court set fees in general.

The trend nationwide has been to abandon a system involving a fee schedule with additional compensation for extraordinary services in favor of the UPC fee scheme. There is no evidence that the substitution of the UPC fee scheme has increased fee litigation in other states. In fact, adoption of the UPC method of fixing attorney fees in California with the review provisions outlined above probably would reduce the amount of court time devoted to the fixing of attorney fees. The Ad Hoc Committee on Attorney Fees in Probate, appointed by the Presiding Judge, Probate, of the Los Angeles Superior Court in

1984, states the problem that caused the Presiding Judge to appoint the ad hoc committee: "A tremendous amount of the Probate Court's time is spent dealing with disputes over attorney's fees."

Under the existing California procedure, not only does the court review the attorney's calculation of the statutory fee, but in a significant number of cases the court must also review a request for additional fees for extraordinary services and fix a reasonable fee for those services. And the disputes concerning attorneys' fees are often between the court and the attorney, not between persons interested in the estate and the attorney; court determination of fees is required in California even if no interested party objects to the fee requested by the attorney. A system for review only if an interested person objects to the fee would tend to reduce the burden on the court of reviewing the reasonableness of probate attorney fees.

There is a risk if court review of the attorney fee is limited to cases where there is an objection to the fee. The personal representative or heirs or beneficiaries may be unaware of what is a reasonable fee, and the attorney may take advantage of this by charging an unreasonably high fee. A number of attorneys who responded to the Questionnaire expressed concern that some attorneys might charge unreasonably high fees if the fees did not require court approval. Under existing law, the attorney cannot charge more than the statutory fee unless the court reviews and approves the additional fee. But the existing law does not provide a satisfactory solution. The existing law does not protect the estate. The statutory fee schedule may impose on the estate a fee that is unreasonably high under the circumstances of the particular estate, and the court is not authorized to reduce the fee to a reasonable fee even where there is an objection to the fee. The existing law does not protect the attorney who provides high quality extraordinary services. The attorney may not receive a reasonable fee for those services even if the client has no objection to the fee. This is because the court must review every claim for additional fees for extraordinary services, and the court either may not take the time to determine fairly what constitutes a reasonable fee under the circumstances or may not award a reasonable fee because the court is unaware of what constitutes a reasonable fee. Numerous

attorneys who responded to the Questionnaire expressed concern about the inadequacy of the fees awarded by the court for extraordinary services.

There is always the risk that the personal representative and the attorney will enter into an agreement that provides the attorney with an unreasonably high fee, and no person interested in the estate will object to the fee. But the persons who requested the California Probate Code study and those who have secured adoption of the UPC method in other states are willing to take this risk. They prefer the UPC scheme (a fee agreement with the attorney with a right to have court review if a person interested in the estate believes the fee is unreasonable) to the existing statutory fee schedule.

**Possible Revisions Whether or Not Statutory Fee Schedule is Retained**  
**Standards or Factors to Be Taken Into Consideration in Determining**  
**Amount of Attorney Fee**

At least nine states and the District of Columbia have statutory statements of the factors that are to be taken into consideration in determining what constitutes a reasonable attorney fee.<sup>183</sup> Should California adopt such a statutory statement?

If the Uniform Probate Code provisions governing attorney fees were adopted, the statutory statement would be applicable if the court is petitioned to review the attorney fee. If the statutory fee schedule is retained (either as it now exists or in a modified form), the statutory statement would be applicable to a petition for extraordinary fees.

A matter of serious concern to some attorneys is their belief that the fees now being awarded by the California courts for extraordinary services are inadequate and sometimes arbitrary.<sup>184</sup> This distrust of

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183. See text, *supra*, at 46-53.

184. See text, *supra*, at 78-79.

the courts is the primary reason some of these attorneys are not in favor of substituting a reasonable fee standard for the existing statutory fee schedule.

A statutory statement of the factors to be taken into consideration in determining what constitutes a reasonable fee might be useful to the courts and attorneys. Such a statement would list the various factors to be taken into consideration, thereby indicating that the court is not to fix an inadequate hourly rate but is to consider all the relevant factors listed in the statute. The statutory statement would, for example, include among the factors to be considered the fee customarily charged in the locality for similar services and the experience, reputation, and ability of the person performing the services.

The staff recommends that a statement be added to the California statute listing factors to be taken into consideration in fixing a reasonable fee. The statement would be drawn from the statutes and court rules discussed, *supra*, under the heading "Standards or Factors to be Taken Into Consideration in Determining Amount of Attorney Fee." The inclusion of this statement in the statute should encourage the court to award a reasonable fee, rather than a fee that does not provide fair and adequate compensation for the services rendered.

#### Written Contract Requirement

Business and Profession Code Section 6148 requires a written fee contract in any case where "it is reasonably foreseeable that total expense to a client, including attorney fees" will not exceed \$1,000.<sup>185</sup> This section went into effect on January 1, 1987.

Section 6148 does not contain an exception for legal services in connection with the administration of a decedent's estate.

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185. Section 6148 does not apply to where the attorney contracts on a contingency fee basis. Contingent fee contracts are covered by Business and Professions Code Section 6147.

Nevertheless, some attorney believe that a written fee contract is unnecessary for probate administration.<sup>186</sup>

The staff recommends that it be made clear that Section 6148 applies to probate legal services. The new section is designed to give the consumer an understanding--at the outset of the attorney-client relationship--of the fees that will be charged for the legal services.<sup>187</sup> If the client makes a written fee agreement at time the attorney is hired, the client is less likely to be misled or confused about the fees and will not be shocked by the amount of the fee when the attorney seeks payment of the fees.

Section 6148 requires that the written contract include all of the following:

- (1) The hourly rate or other standard fees applicable to the case (which, for probate, presumably could be based on a percentage of the estate).
- (2) The general nature of the legal services to be provided.
- (3) The respective responsibilities of the attorney and the client.

For a sample employment agreement that would satisfy these requirements if the statutory fee schedule is retained, see Appendix 4. This Appendix is a Sample Employment Agreement taken from B. Ross & J. Swink, California Practice Guide Probate 1-67 (The Rutter Group rev.

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186. See text, *supra*, at 25-27. Some attorneys believe that Section 6148 does not apply to probate legal services because the section applies where "it is reasonably foreseeable that the total expense to a client, including attorney fees" will not exceed \$1,000, and in case of probate legal fees the client is the personal representative but the fees are charged to the estate, not the personal representative.

187. Other states have recognized the importance of an agreement on probate fees. See D.C. Code Ann. § 20-751(c) (1981) (request for court approval of attorney fee must include "a statement by any attorney employed by the personal representative that as soon as feasible the attorney gave to the personal representative an estimate of the costs and any change in costs for work to be performed with respect to administration of the estate"); Or. Rev. Stat. § 116.183 (1984) (listing "any agreement as to fees which may exist between the personal representative and his counsel" as factor to be considered among other relevant factors in determining attorney fee).



#1 1987) and appears to have been drafted to comply with Section 6148 which requires a written contract for legal services.

If a reasonable fee standard is to be substituted for the statutory fee schedule, the staff makes further recommendations below concerning the written contract requirement.

#### Compensation for Services in Regard to Nonprobate Property

The ABA Statement<sup>188</sup> provides that attorneys who perform services in regard to nonprobate property should be compensated reasonably for those services. The staff recommends that this right be recognized by an express statutory statement.

#### Attorney Performing Some or All of Normal Duties of Personal Representative

The ABA Statement<sup>189</sup> provides that attorneys performing some or all of the normal duties of the personal representative should receive additional compensation for the additional work.

The ABA statement presents two policy issues:

(1) Should the estate attorney be permitted to make an agreement with the personal representative to perform some of the normal duties of the personal representative and be compensated by the personal representative for that work?

(2) Should the estate attorney be permitted to serve also as personal representative and receive compensation for work performed in both capacities?

Compensating attorney who performs some of normal duties of personal representative. In some cases, the personal representative may be unable or unwilling to perform all the duties that are required. This may be the case, for example, where the personal representative does not live in California or lacks the skills needed to make an inventory the decedent's property, to pay creditors, to

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188. See text, *supra*, at note 14.

189. See text, *supra*, at note 14.

manage the estate, or to maintain a record of receipts and expenditures.

The California personal representative sometimes hires the estate attorney to perform duties of the personal representative and pays the lawyer from his or her own funds (not the funds of the estate). The staff recommends that the statute expressly recognize this existing practice. However, an agreement between the attorney and client that the attorney do some of the work of the personal representative presents a conflict of interest situation for the attorney. For this reason, the staff further recommends that the requirements for such an agreement be stated in the statute. Contrary to existing local court rules, to reduce the burden on the courts and the expense to the parties, the staff would not require that the agreement be disclosed to the court and be approved by the court.

If the attorney performs clerical functions of the personal representative, the ABA Statement appears by implication to require that the attorney charge for performing those functions at an hourly rate appropriate for clerical services rather than the usual professional rate for the attorney.<sup>190</sup> The existing California practice appears to be consistent with this principle.<sup>191</sup> Perhaps the statute should contain an express statement of the principle.

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190. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1174-57 (1984).

191. For example, the "AGREEMENT RE PERFORMANCE OF AND COMPENSATION FOR DUTIES OF EXECUTOR" (L. A. Superior Court Guidelines on Attorney Fees in Decedents' Estates) (reprinted in California Local Probate Rules at page 19-107 (Cal. Cont. Ed. Bar 1987)), includes the following provisions:

"4. The Executor desires that her attorney, MARY ROE, and her attorney's staff, perform these duties for the Executor.

5. To compensate her attorney, the Executor will, from her own funds, pay Attorney MARY ROE when billed, at the hourly rate for the person performing the services disclosed on the bills."

Compensating attorney who serves as personal representative. The ABA Statement provides that an attorney who serves as personal representative is entitled to compensation for both legal services and for services as personal representative.<sup>192</sup>

California does not follow this rule. Under existing California law, a personal representative who is also an attorney may receive the personal representative's compensation but not compensation for legal services as estate attorney.<sup>193</sup> "One must hire a third party to perform such services or serve without compensation."<sup>194</sup> However, where expressly authorized by the decedent's will, dual compensation may be paid to one person acting both as attorney and as personal representative.<sup>195</sup>

The theory justifying the California rule is that the personal representative has a conflict of interest if he or she also serves as estate attorney.<sup>196</sup> By selecting himself to perform the duties of an attorney for the estate, the personal representative becomes his own employer and is thus under a temptation of self interest to defraud the estate. The denial of legal fees serves to curb the temptation and encourage the hiring of independent counsel.

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192. See text, *supra*, at note 14.

193. *In re Estate of Parker*, 200 Cal. 132, 251 P. 907 (1926); *Estate of Downing*, 134 Cal. App. 3d 256, 184 Cal. Rptr. 511 (1982).

194. *Estate of Parker*, 200 Cal. 132, 137, 251 P. 907 (1926); *Estate of Haviside*, 102 Cal. App. 3d 365, 368-369, 162 Cal. Rptr. 393, 395 (1980). Where the personal representative is a member of a law firm and the law firm acts as estate attorney, the estate may not be charged for the firm's legal services unless the attorney-personal representative will not receive any part of the fees paid by the estate to the law firm. *Estate of Parker*, *supra*.

195. *Estate of Thompson*, 50 Cal. 2d 613, 614-615, 328 P.2d 1, 2-3 (1958); *Estate of Grouch*, 240 Cal. App. 2d 801, 49 Cal. Rptr. 926 (1966).

196. *Estate of Lankershim*, 6 C.2d 568, 572, 58 P.2d 1282 (1936); *Estate of Haviside* 102 Cal. App. 3d 365, 369, 162 Cal. Rptr 393, 395 (1980).

It is doubtful that denying the personal representative compensation for the legal services he or she provides to the estate will curb the personal representative bent on defrauding the estate. Moreover, some take the view that more frequent service by attorneys as personal representatives would be a benefit to estates and should be encouraged. An article by a California probate practitioner strongly advocates this view.<sup>197</sup> The author of the article takes the position that no one is better qualified to serve as personal representative than a competent attorney.

The *Stein Study* contains an extensive discussion of this issue.<sup>198</sup> That discussion is attached as Appendix 5. This portion of the *Stein Study* discusses the advantages and disadvantages of the personal representative also serving as estate attorney. It also presents the views of practitioners concerning the issue and describes the practice in California and in some other states.

This issue is a significant one that merits serious consideration by the Commission. It should be kept in mind that a corporate trustee is not interested in serving as a personal representative for a relatively small estate. The staff makes no recommendation as to how the issue should be resolved.

#### Effect of Provision in Will Concerning Attorney Compensation

The existing attorney compensation statute does not state a rule governing the effect of a provision in the decedent's will concerning the compensation of the attorney. But the attorney compensation statute does incorporate by reference the provisions relating to compensation of the personal representative.<sup>199</sup>

The effect of this incorporation by reference is that the decedent's will may make provision for compensation of the attorney,

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197. Avery, *Fiduciary Role of the Lawyer: Do Lawyers Practice Like They Did in the 18th Century? A Glimpse into the Future*, 4 Prob. Law. 1 (1977).

198. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1163-1172 (1984).

199. Prob. Code § 910.

and that compensation shall be "a full compensation" for the attorney's services unless by written instrument, filed with the court, the attorney renounces the compensation provided for in the will.<sup>200</sup> If the attorney renounces the compensation provided in the will, the attorney is entitled to receive compensation as provided by statute.<sup>201</sup>

Should the attorney be permitted to renounce the compensation provided in the will and then receive compensation as provided by statute? The justification for permitting the attorney to elect to receive compensation as provided by statute is that otherwise it may not be possible to obtain legal services for the decedent's estate because the conditions have changed since the provision in the will was drafted. On the other hand, the attorney is entitled to the compensation provided in the will even though that compensation is excessive in light of the condition of the estate at the time of the decedent's death.

The staff recommends that the substance of existing law be continued and compiled in a separate section. Since the same rule now applies to the compensation of the personal representative, perhaps one section should be drafted to apply both to the personal representative and to the attorney.

#### **Possible Revisions if Reasonable Fee System is Adopted**

##### **Keeping Determination of Fee Out of Court System to Maximum Extent Possible**

The staff recommends that the substance of the Uniform Code provisions relating to review of attorney fees be adopted in California with additional provisions that would adjust those provisions to the California procedures.

The UPC method of fixing attorneys fees permits the personal representative and the attorney to make an agreement fixing a

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200. Prob. Code § 900.

201. Prob. Code § 901.

reasonable fee and avoids the need for devoting court time to the fixing of the fee unless an interested person requests the court to review the fee.

The UPC method would be implemented in California by adopting the reasonable fee standard and the following provisions:

(1) *Written fee contract.* A written fee contract should be required and the written fee contract should contain an estimate of the total amount of the legal fees.

(2) *Notice of proposed action for estimated total amount of fee.* The Independent Administration of Estates Act should be extended to cover attorney fee contracts. This would permit the personal representative to give notice of proposed action for the written fee contract. The notice should state the estimated total amount of the legal fees and include a copy of the written fee contract. The notice also should contain a statement making clear that failure to object to the proposed action will waive any further right to object to the amount of the legal fees so long as the total amount of the fees does not exceed the amount stated in the notice. If there is no objection to the proposed action (the contract and the estimated total amount of the legal fees) and the total amount of the legal fees does not exceed the estimate, the provisions relating to court review of proposed actions to which there is no objection would apply and the legal fees would not be subject to court review. If there is an objection to the proposed action, the fee would be subject to review to the extent indicated below.

(3) *Provision for situation where fee exceeds estimate.* A provision should be included to deal with the situation where the legal fee exceeds the estimate. In this situation, the persons who were given notice of proposed action would not be deemed to have waived the right to object to the fee. The fee would be subject to review by the court to the extent indicated below.

The staff does not recommend that giving notice of proposed action be permitted for an increase in the estimated total amount of the

fee.<sup>202</sup> Instead, we would permit a waiver of court review to be made in the same manner as a waiver of account. This recommendation departs from the statutory scheme used for estimates and increased estimates for automobile repairs. Under that scheme, the repairer can obtain telephone approval of an increase in the amount of the estimated cost of the repairs. The suggested scheme for probate legal fees provides an opportunity to waive court review of the attorney fee at a time when the fee is to be paid and the amount of the actual fee is known. Absent a waiver at that time, the increased fee would be subject to court review.

(4) *Waiver of court review of fee.* The persons who can waive an account should be permitted to waive court review of probate legal fees in the same manner as a waiver of account.

(5) *Persons entitled to obtain court review of fee.* Unless court review of probate legal fees has been waived in the same manner as a waiver of account, a person could obtain court review of the reasonableness of the attorney fees at the time of the final account or at the time of a petition for approval of fees. The right to obtain court review would be limited to those persons who have not waived that right by a failure to object to a notice of proposed action with respect to the fees. Where the court reviews the fees, one of the factors to be considered by the court in determining what constitutes a reasonable fee would be the written fee contract and the estimated total fee.

#### Possible Revisions if Statutory Fee Schedule is Retained

##### Using Equity in Real Property for Fee Purposes Rather than Gross Value

The statutory fee schedule sets the attorney's fee as percentages of the "estate accounted for" by the personal representative.<sup>203</sup> The

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202. Compare D.C. Code Ann. § 20-751(c) (1981) (request for approval of the attorney fee must include a statement by the attorney "that as soon as feasible the attorney gave to the personal representative an estimate of costs and any change in costs").

203. Prob. Code § 910 (incorporating provisions of Prob. Code § 901).

"estate accounted for" is based on the fair market value of the real and personal property of the estate without subtracting any encumbrances on the property.<sup>204</sup>

One attorney wrote to the Commission questioning why encumbrances are not excluded in determining the value of the estate: "The equity in property should be the appraised value thereof. I see no reason why the personal representative's commission or the attorney's fee should be based upon a debt owed by the decedent." (Emphasis in original.)

For example, assume that the decedent owns real property having a market value of \$300,000. The property is encumbered by a debt of \$200,000 secured by a trust deed on the property. For the purposes of computing the attorney fee using the statutory fee schedule, the value is taken at \$300,000, even though the decedent's equity in the property is only \$100,000. In addition to the statutory fee computed on the gross value of the property, if the real property is sold during the administration of the estate, the attorney is entitled to an additional fee for extraordinary services.

The practice in other states using a statutory fee schedule is described in Appendix 2. The practice varies. Probably most states use gross value in determining the value of the estate to compute the attorney fee; some states use net value; and it is unclear in a number of states whether liens are subtracted. At least one state excludes the value of real property entirely in computing the attorney fee.

The staff recommends that no change be made in the existing California provisions for determining the value of the estate for the purpose of computing the attorney fee.

#### **Minimum Fee for Small Estates and Modification of Fee Schedule**

Minimum fee for small estates. Almost one-half (47%) of those who responded to the Questionnaire believe that changes should be made in

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204. Prob. Code § 901 ("estate accounted for" is "the total amount of the inventory plus gains over appraisal value on sales, plus receipts, less losses on sales, without reference to encumbrances or other obligations on property in the estate" whether or not a sale of the property has taken place during probate).



the existing California provisions governing probate fees.<sup>205</sup> Many lawyers (73.5%) believe that the major defect in the existing statutory provisions is the inadequacy of the statutory fee for estates of less than \$60,000.<sup>206</sup> Nevertheless, Table 7 (below) shows that more than 83 percent felt that they were at least adequately compensated under the statutory fee schedule and that less than four percent felt that they lost money on probate matters.

<b>TABLE 7. ATTORNEY'S VIEW AS TO ADEQUACY OF FEE RECEIVED</b>		
<b>Response</b>	<b>Number</b>	<b>Percentage</b>
Lost Money	9	3.9%
Broke Even	29	12.7%
Adequately Compensated	178	77.7%
More than Adequate	<u>13</u>	<u>5.7%</u>
	229	100%

Source: California Law Revision Commission, Question 16(e) Probate Practice Survey Questionnaire, 1986.

The fact is that the fee provided by the statutory fee schedule for the very small estate is grossly inadequate. For example, if the estate is \$5,000, the amount allowed is only \$200. On a \$10,000 estate, only \$400 is allowed. A lawyer who probates one of these estates will lose money. The claim that the fee schedule is designed to subsidize the small estate by imposing a more than reasonable fee on some large estates does not adequately deal with the problem. There is

205. See Table N (Need For Change in Existing Method of Fixing Attorney Fee) (Appendix 1).

206. See Table P (Adequacy of Existing Statutory Fee For Small Estate) (Appendix 1). On the other hand, most lawyers (51.4%) believe that the statutory fee for estates over \$10 million is not excessive. See Table Q (Reasonableness of Existing Statutory Fee for Probate of Estate over \$10 Million) (Appendix 1). Legislation enacted in 1986 eliminated the fixed percentage fee for the amount of the estate over \$25 million and provides that the fee for the amount over \$25 million is a reasonable amount to be determined by the court. 1986 Cal. Stats. ch 961, § 1.

no assurance that a law firm will take a small estate and lose money merely because the law firm may make a more than reasonable fee on a large, simple estate that may come to the law firm. Many law firms will refuse to take the small estate, but the same firm will take the fee to which the statute entitles them on the large, simple estate, even where that fee is excessive.

A contract for fee higher than that allowed by statute is void.<sup>207</sup> This precludes the parties from dealing with the problem of the grossly inadequate fee by making a fee agreement providing a reasonable fee for the legal services in connection with the small estate.

The Delaware court rules provide a minimum attorney fee of \$250. Even this minimum fee is grossly inadequate. A fee of \$250 would not begin to compensate the lawyer for the minimum amount of legal work required to probate a small estate.

The staff strongly recommends that an appropriate minimum statutory fee be provided. What would be an appropriate minimum fee? Perhaps \$750 would be appropriate, assuming that the attorney with the assistance of a paralegal assistant could handle the estate in less than 10 hours of time. The Commission should seek the advice of experienced probate lawyers as to what would constitute a reasonable minimum fee.

Modification of statutory fee schedule. Assuming that the Commission is willing to provide a \$750 minimum fee or a minimum fee in a different amount, the staff strongly recommends that the existing fee schedule for attorneys be modified to eliminate the 4 percent fee. Instead the fee would be 3 percent on the first \$100,000 of the estate accounted for. See Table 1 on page 9, *supra*, for the Statutory Attorney Fee Schedule now in effect.

The effect of the recommended change would be to reduce the fee for estates having a value over \$20,000. The maximum amount of the reduction for any size estate would be \$150, but the fee would never be

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207. Prob. Code § 910 (incorporating provisions of Prob. Code § 903). It appears from the wording of Section 910 that a contract for attorney compensation is void if it is for more than the amount determined under the statutory fee schedule.

reduced below the minimum \$750 fee. See Table 2 on page 10, *supra*, for the present fees allowed on various size estates.

The benefit of the recommended change is that it can then be said that the maximum percentage rate in California has been reduced from four percent to three percent. The change would have little, if any, significance for estates under \$60,000 since those estates can be handled using the affidavit procedure. The change is justified for estates over \$60,000 because probate procedures have been improved and simplified as a result of various Commission recommendations enacted in recent years. These enactments should reduce the hours of required legal services by at least one hour. For a difficult estate requiring extraordinary services, the court will continue to be able to award additional fees for the extraordinary services.

#### Power of Court to Award Less than the Statutory Fee

Absent a contractual agreement for a lower fee, the attorney has the absolute right to receive the amount of the California statutory fee, without regard to whether that amount is reasonable under the circumstances of the particular case. In *Estate of Getty*,<sup>208</sup> the combined statutory fees for the personal representative and the attorney amounted to about \$27 million. The estate was almost \$1.4 billion, the great majority of which was realized through the sale of Getty Oil Company stock by the estate. The court held that the attorney fee statute gave the court no authority to reduce a fee that was excessive and that the estate attorney was entitled to a fee of about \$13.5 million.

The Legislature responded to the *Getty* decision by providing that the fee for that portion of an estate over \$25 million is a reasonable fee determined by the court. The effect is that the court has the power to refuse to allow any statutory fee in excess of \$186,150 unless the court determine that a fee in excess of that amount is reasonable.

Although it is difficult to compare the fees allowed under the statutory fee schedules used in other states, the California statutory

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208. 143 Cal. App. 3d 455, 191 Cal. Rptr. 897 (1983).

fee places California in among the half of the states that charge the highest fees. Of the four states that provide for the highest statutory fees, California is the only one where the court does not have authority to reduce the amount of the statutory fee if the court determines that the fee is excessive in view of the legal services required. See Table 6 on page 45, *supra*.

Allowing the court to reduce the statutory fee will lead to increased litigation in the cases where the court is given this right. But the recent legislation providing for a reasonable fee fixed by the court on that portion of an estate over \$25 million provides a solution in only an exceedingly rare case.<sup>209</sup> There must be a balance between the need to avoid litigation and the need to provide for some relief from a fee that is outrageous in view of the services provided.

The Commission should consider making the statutory fee on that portion of an estate over \$10 million a reasonable amount determined by the court. This would mean that for an estate over \$10 million the attorney would be entitled to a fee of \$111,000 which could not be reduced, but the legal fee could not exceed \$111,000 unless the court determines that a reasonable fee for legal services exceeds that amount. This modification of the statutory fee schedule would impose no significant burden on the courts and would protect against an outrageous fee in a case where the major portion of the estate is liquid assets such as treasury bonds and stock listed on the New York Exchange.

Probate Code Section 609 imposes a much more drastic limitation on the fee of the probate referee. Under that section, the fee cannot exceed \$10,000 unless the court determines that the reasonable value of the referee's services exceeds that amount. And the Commission has proposed an additional limitation on the amount of the fee of the probate referee. The Commission proposes that the amount of compensation the personal referee may receive for the sale of listed stock be limited to \$250.

The staff recommends against giving the court general authority to reduce the amount of the statutory fee in any case where the court

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209. See note 210, *infra*.

determines the fee to be excessive. At the same time, the staff believes that the Commission should give serious consideration to providing that the fee for that portion of an estate over \$10 million should be a reasonable amount determined by the court.

Attorneys who responded to the Questionnaire were almost evenly divided on the merits of this recommendation. The attorneys were asked whether they believed that the statutory fee for estates in excess of \$10 million is excessive. Few of the attorneys had ever probated an estate in excess of \$10 million.<sup>210</sup> Of those answering the question (13.4% did not answer), 42.3 percent believe the statutory fee for an estate of \$10 million is excessive and 44.3 percent do not.

#### Fee Schedule Subject to Negotiation

Some attorneys responding to the Questionnaire pointed out that the fee schedule is subject to negotiation. They believe that this feature of the existing system protects against excessive fees for ordinary services. A few attorneys suggested that the public needs to be educated to the fact that the fee is negotiable. See the discussion at pages 82-83, *supra*.

As a matter of practice the statutory fee is the minimum fee in California.<sup>211</sup> There is no reason to believe that clients ordinarily

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210. A number of attorneys stated that they have never had a \$10 million probate estate and, where possible, they avoid the need for the probate of a large estate by preparing a living trust.

The *Stein Study* summarizes the distribution of estates in various size categories for a representative sample of decedent's dying in 1972. Stein & Fierstein, *The Role of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107,, 1162, n. 82 (1984). The distribution for California estates is set out below.

Size of Estate	Percent
\$1 - 9,999.....	25
\$10,000 - 19,999.....	16
\$20,000 - 29,999.....	12
\$30,999 - 59,999.....	18
\$60,000 - 99,999.....	10
\$100,000 - 499,999.....	16
\$500,000.....	3

211. See text, *supra*, at notes 24-26.

are informed that the statutory fee is negotiable. More than half of the lawyers never charge less than the statutory fee for ordinary probate services. More than 90 per cent ordinarily charge the statutory fee.

Some lawyers report that some financially sophisticated clients negotiate a fee lower than the statutory fee, especially for large estates. The responses to the Questionnaire indicate, however, that clients generally do not appear to be aware of their right to negotiate a lower fee or, if aware, either do not request or are unable to negotiate a lower fee.<sup>212</sup>

Section 10147.5 of the Business and Professions Code relates to a printed or form agreement for the compensation to be paid to a real estate licensee for a sale of residential property (not more than four units) or a mobilehome. The section provides that the agreement shall contain the following statement in not less than 10-point boldface type:

Notice: The amount or rate of real estate commissions is not fixed by law. They are set by each broker individually and may be negotiable between the seller and broker.

The responses to the Questionnaire reveal that many probate attorneys do not discuss the amount of the fee with their clients. The attorney merely indicates that the fee for ordinary services is provided by statute and that court approval is required for any additional fee for extraordinary services.

Should some provision be enacted so that the client will know that the parties may enter into a fee agreement for a fee less than the statutory fee? One means of accomplishing this objective would be to require a disclosure statement that states the statutory fee and states that a fee lower than the statutory fee may be negotiable between the lawyer and client. (Negotiating a fee higher than the statutory fee is

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212. Most probate attorneys (53%) never charge less than the statutory fee. And 85 percent charge less than the statutory fee in 10 percent or less of the probate estates they handle.

precluded by the statutory provision declaring that an agreement for a higher fee is void.)<sup>213</sup>

The enactment of the general provisions requiring a written fee agreement for legal services was a reaction to consumer confusion and uncertainty about legal fees.<sup>214</sup> The staff recommends that the general provisions requiring a written fee agreement for legal services be made applicable to probate legal fees and that the fee agreement include a statement that the fee is subject to negotiation between the lawyer and client. Adoption of this recommendation should do much to minimize the consumer ill will generated when the client is presented with a bill for a fee to which the client had not agreed in an amount in excess of what the client expected to pay. This ill will can be avoided if the client is informed as the fee or the manner of computing the fee at the time the attorney is hired.

#### **Power of Parties to Agree to Fee in Excess of Statutory Fee**

Existing California law declares that an agreement for a fee in excess of the statutory fee is void.<sup>215</sup> Only the court can award an additional amount and then only for extraordinary services.<sup>216</sup> The existing California scheme is based on a theory that the client is unable to determine what constitutes a reasonable fee and make an agreement to pay that fee. To protect the client, the statute prescribes the fee of the attorney for ordinary services and protects the client against an additional fee by requiring court review and approval of the additional fee.

If the statutory fee system is to be retained, the staff recommends against giving the parties authority to agree to a fee in excess of the statutory fee. Giving the parties this authority would preserve the attorney's an absolute right to the statutory fee where

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213. See discussion, *infra*, under "Power of Parties to Agree to Fee in Excess of Statutory Fee."

214. See text, *supra*, at pages 24-27.

215. See note 207, *supra*.

216. Prob. Code § 910. See text, *supra*, at 12-19.

there is no agreement and, at the same time, give the attorney a right to an additional fee without court review where the client agrees to the additional fee. One can hardly say that a statutory fee schedule is needed to protect the client and, at the same time, assume that the client has the ability and understanding to agree to a higher fee. The attorney should not be placed in the position where he is motivated to suggest an agreement for a reasonable fee only in cases where the attorney seeks a fee higher than the statutory fee. For this reason, giving the parties authority to waive court review of the attorney fee would not work to the benefit of the client if the statutory fee schedule is retained.

**Statutory Statement of What Constitutes "Extraordinary Services"**

There is a lack of clarity in the court rules and judicial decisions as to which legal services are ordinary and deemed to be fully compensated out of statutory fees and which legal services are not ordinary and for which additional compensation may be allowed.<sup>217</sup>

California now has an incomplete and somewhat misleading statutory list of extraordinary services which merit additional compensation if rendered by a personal representative.<sup>218</sup> Presumably, legal services rendered in connection with these extraordinary services listed in the statute would also rate additional compensation.

The staff recommends that statutory provisions be drafted to provide a more accurate and complete but nonexclusive listing of

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217. See text at notes 28-30, *supra*.

218. Prob. Code § 902. Probate Code Section 902 lists, for example, "the carrying on of the decedent's business pursuant to an order of the court," but the courts will award additional compensation for carrying on a business without a court order. See Los Angeles County Probate Policy Memorandum (effective July 1, 1986), § 15.08(3). See also Prob. Code § 9760 (authority to operate decedent's business without court authorization for period of not more than six months from date letters are first issued). Section 902 omits a specific listing of some extraordinary services and includes, instead, a general statement that extraordinary services include "such other litigation or special services as may be necessary for the executor or administrator to prosecute, defend, or perform."



services that are ordinary and extraordinary. This listing would be drawn primarily from court rules.<sup>219</sup>

**Consideration of Statutory Compensation in Determining Whether to Allow Additional Compensation for Extraordinary Services**

In evaluating requests for extraordinary compensation, many courts will take the statutory compensation into account in determining whether the lawyer has been compensated adequately for all services rendered.<sup>220</sup> The staff recommends that an express statement be added to the statute to recognize this practice. The power of local courts to establish flat amounts for such services as real property sales or federal estate tax returns would not be limited by the express statement.

**Use of Paralegal Assistants**

When the attorney provides legal services that are extraordinary services, the attorney is entitled to an additional fee. The question in the past has been how the fee is to be fixed where the services were rendered by a paralegal working under the direction of the attorney. The responses to the Questionnaire indicate that more than 60 percent of the attorneys show the cost of the services of a paralegal assistant at a paralegal's rate in justifying a fee for extraordinary services.

Legislation enacted in 1987 makes clear that extraordinary services for which the attorney may apply to the court for additional compensation include those services rendered by a paralegal performing the extraordinary services under the direction and supervision of an attorney.<sup>221</sup> The petition or application for compensation must set

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219. See discussion in text, *supra*, at notes 31-34.

220. See note 38, *supra*.

221. 1987 Cal. Stat. ch. 358, amending Prob. Code §§ 469 and 932, relating to fee of attorney for extraordinary services, and amending other Probate Code provisions relating to the fee of the attorney for a guardianship or conservatorship.

forth the hours and services performed by the paralegal. The clear implication of this legislation is that the paralegal services are to be allowed at a reasonable paralegal rate.

The 1987 legislation is a reasonable solution to the reasonable fee problem where a paralegal assistant is used. The staff recommends that the substance of the 1987 legislation be continued in the new statute.

APPENDIX 1. TABLES

**TABLE A-1. QUESTIONNAIRE RESPONDENTS: ROLE IN PROBATE ADMINISTRATION**

Practicing Probate Lawyer	216	88.2%
Paralegal	13	5.3%
Judge	1	0.4%
Probate Referee	1	0.4%
Probate Lawyer and Referee	3	1.2%
Corporate Fiduciary	2	0.8%
Other	9	3.7%

Source: California Law Revision Commission, Questions 1-5,  
Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE A-2. QUESTIONNAIRE RESPONDENTS: YEARS IN PROBATE PRACTICE**

Less than 5 years	20	8.2%
5 to 10 years	61	24.9%
10 to 15 years	45	18.4%
15 to 20 years	24	9.8%
20 to 25 years	29	11.8%
More than 25 years	66	26.9%

Source: California Law Revision Commission, Probate Practice  
Survey Questionnaire, 1986. N 245.

**TABLE A-3. QUESTIONNAIRE RESPONDENTS: LOCATION OF PRACTICE**

Northern California			Southern California		
Oakland	7	2.9%	Los Angeles	71	29.4%
San Francisco	21	8.7%	San Diego	11	4.6%
San Jose	49	20.3%	San Bernardino	1	0.4%
Sacramento	7	2.9%	Orange County	5	2.1%
Santa Cruz	1	0.4%	Long Beach	5	2.1%
Another City	36	14.9%	Riverside	1	0.4%
Rural Area	6	2.5%	Another City	20	8.3%
	127	52.7%		114	47.3%

Source: California Law Revision Commission, Probate Practice Survey Questionnaire, 1986. N 245. Of N 245, three did not state location of practice; one reported "statewide" as location of practice.

**TABLE A-4. QUESTIONNAIRE RESPONDENTS: SIZE OF LAW FIRM**

Sole Practice	92	39.3%
2 to 9 Attorney Firm	85	36.3%
10 to 30 Attorney Firm	31	13.3%
30 + Attorney Firm	26	11.1%

Source: California Law Revision Commission, Probate Practice Survey Questionnaire, 1986. N 245. Of N 245, six replied that they were not with a law firm; five did not state size of firm.

**TABLE A-5. QUESTIONNAIRE RESPONDENTS: PROBATE SPECIALIST?**

1. Do you consider yourself to be a probate specialist?

Yes	178	74.5%
No	61	25.5%

2. Do you devote more than 1/2 of your work time to probate, trust, and estate planning matters?

Yes	172	72.3%
No	66	27.7%

Source: California Law Revision Commission, Probate Practice Survey Questionnaire, 1986. N 245. Of N 245, six did not answer question 1; seven did not answer question 2.

**TABLE B. ESTATES HAVING INSIGNIFICANT "PROBATE ASSETS"**

For purposes of this table, "probate assets" are assets subject to the jurisdiction of the probate court. "Probate Assets" do not include assets governed after death by the terms of living trusts, joint tenancies, assets transferred upon death under a pay-on-death provision, assets transferred upon death under beneficiary designations in life insurance policies and employee benefit plans, and similar assets.

Percentage of Estates Having Insignificant Assets	Number of Attorneys Reporting	Percentage of Attorneys Reporting	Cumulative Percentage of Attorneys Reporting
100%	1	0.4%	0.4%
95%	1	0.4%	0.8%
90%	8	3.3%	4.1%
85%	1	0.4%	4.5%
80%	5	2.0%	6.5%
75%	8	3.3%	9.8%
70%	1	0.4%	10.2%
65%	3	1.2%	11.4%
60%	10	4.1%	15.5%
55%	1	0.4%	15.9%
50%	34	13.9%	29.8%
45%	4	1.6%	31.4%
40%	8	3.3%	34.7%
35%	4	1.6%	36.3%
33%	1	0.4%	36.7%
30%	13	5.3%	42.0%
25%	13	5.3%	47.3%
22%	1	0.4%	47.8%
20%	20	8.2%	55.9%
15%	3	1.2%	57.1%
11%	1	0.4%	57.6%
10%	35	14.3%	71.8%
5%	22	9.0%	80.8%
4%	2	0.8%	81.6%
3%	1	0.4%	82.0%
2%	9	3.7%	85.7%
1%	5	2.0%	87.8%
0%	30	12.2%	100.0%

Source: California Law Revision Commission, Question 8(a), Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE C. CHARGING LESS THAN STATUTORY FEE**

<b>Percentage of Estates Where Less Than Statutory Fee Charged</b>	<b>Number of Attorneys</b>	<b>Percentage of Attorneys</b>	<b>Cumulative Percentage of Attorneys</b>
0%	132	53.9%	53.9%
1%	2	0.8%	54.7%
2%	9	3.7%	58.4%
5%	35	14.3%	72.7%
10%	31	12.7%	85.3%
15%	7	2.9%	88.2%
17%	1	0.4%	88.6%
19%	1	0.4%	89.0%
20%	6	2.4%	91.4%
25%	4	1.6%	93.1%
30%	5	2.0%	95.1%
40%	2	0.8%	95.9%
45%	1	0.4%	96.3%
50%	4	1.6%	98.0%
60%	1	0.4%	98.4%
67%	1	0.4%	98.8
75%	1	0.4%	99.2%
80%	1	0.4%	99.6%
90%	1	0.4%	100.0%

Source: California Law Revision Commission, Question 16(c)(1),  
Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE D. CHARGING EXTRAORDINARY FEES**

Percentage of Estates Where Extraordinary Fee Charged	Number of Attorneys	Percentage of Attorneys	Cumulative Percentage of Attorneys
100%	4	1.6%	1.6%
99%	1	0.4%	2.0%
95%	3	1.2%	3.3%
90%	5	2.0%	5.3%
85%	3	1.2%	6.5%
80%	11	4.5%	11.0%
75%	8	3.3%	14.3%
70%	5	2.0%	16.3%
65%	1	0.4%	16.7%
60%	11	4.5%	21.2%
50%	26	10.6%	31.8%
49%	1	0.4%	32.2%
45%	2	0.8%	33.1%
40%	9	3.7%	36.7%
35%	5	2.0%	38.8%
30%	19	7.8%	46.5%
25%	15	6.1%	52.7%
20%	31	12.7%	65.3%
15%	6	2.4%	67.8%
10%	30	12.2%	80.0%
5%	12	4.9%	84.9%
2%	1	0.4%	85.3%
1%	1	0.4%	85.7%
0%	35	14.3%	100.0%

Source: California Law Revision Commission, Question 16(c)(3), Probate Practice Survey Questionnaire, 1986. N 245.



**TABLE E. CHARGING ADDITIONAL FEE NOT APPROVED BY COURT**  
 (For nonprobate services such as nonprobate transfers,  
 joint tenancy terminations, tax matters, and the like)

Percentage of Estates Where Additional Fee Charged	Number of Attorneys Reporting	Percentage of Attorneys Reporting	Cumulative Percentage of Attorneys Reporting
100%	7	2.9%	2.9%
90%	4	1.6%	4.5%
80%	4	1.6%	6.1%
75%	6	2.4%	8.6%
70%	2	0.8%	9.4%
60%	1	0.4%	9.8%
50%	18	7.3%	17.1%
40%	4	1.6%	18.8%
35%	1	0.4%	19.2%
33%	1	0.4%	19.6%
30%	6	2.4%	22.0%
25%	12	4.9%	26.9%
20%	25	10.2%	37.1%
15%	4	1.6%	38.8%
10%	40	16.3%	55.1%
5%	35	14.3%	69.4%
2%	2	0.8%	70.2%
1%	1	0.4%	70.6%
0%	72	29.4%	100.0%

Source: California Law Revision Commission, Question 16(d)(6),  
 Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE F. ATTORNEYS WHO ORDINARILY CHARGE FULL STATUTORY FEE**

Do you ordinarily charge the full statutory fee in a regular probate proceeding?

	<b>Response</b>	<b>Number</b>	<b>Percentage</b>	
	Yes	210	93.3%	
	No	<u>15</u>	<u>6.7%</u>	
		225	100%	

Source: California Law Revision Commission, Question 16(b), Probate Practice Survey Questionnaire, 1986.

**TABLE G. COMPLAINTS REGARDING COST OF PROBATE PROCEEDING**

Percentage of Estates Where Complaint Made	Number of Attorneys Reporting	Percentage of Attorneys Reporting	Cumulative Percentage of Attorneys Reporting
0%	94	38.4%	38.4%
1%	6	2.4%	40.8%
2%	3	1.2%	42.0%
3%	2	0.8%	42.9%
4%	1	0.4%	43.3%
5%	35	14.3%	57.6%
6%	1	0.4%	58.0%
10%	38	15.5%	73.5%
15%	6	2.4%	75.9%
20%	10	4.1%	80.0%
25%	9	3.7%	83.7%
30%	4	1.6%	85.3%
33%	1	0.4%	85.7%
40%	2	0.8%	86.5%
50%	17	6.9%	93.5%
60%	1	0.4%	93.9%
65%	1	0.4%	94.3%
70%	2	0.8%	95.1%
75%	4	1.6%	96.7%
80%	2	0.8%	97.6%
100%	6	2.4%	100.0%

Source: California Law Revision Commission, Question 16(f)(1), Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE H. COMPLAINTS THAT ATTORNEY'S FEE TOO HIGH**

<b>Percentage of Estates Where Complaint Made</b>	<b>Number of Attorneys Reporting</b>	<b>Percentage of Attorneys Reporting</b>	<b>Cumulative Percentage of Attorneys Reporting</b>
0%	139	56.7%	56.7%
1%	12	4.9%	61.6%
2%	4	1.6%	63.3%
3%	2	0.8%	64.1%
4%	2	0.8%	64.9%
5%	29	11.8%	76.7%
8%	1	0.4%	77.1%
10%	28	11.4%	88.6%
15%	5	2.0%	90.6%
20%	10	4.1%	94.7%
25%	4	1.6%	96.3%
30%	4	1.6%	98.0%
33%	1	0.4%	98.4%
40%	2	0.8%	99.2%
50%	2	0.8%	100.0%

Source: California Law Revision Commission, Question 16(f)(2), Probate Practice Survey Questionnaire, 1986. N 235.

**TABLE I. KEEPING "TIME WORKED" RECORD**

**Regular Probate Administration**

Record Kept of "Time Worked"			Record Used in Determining Fee		
Response	Number	Percentage	Response	Number	Percentage
Yes	162	69.8%	Yes	119	65.4%
No	70	30.2%	No	63	34.6%
	232	100.0%		182	100.0%

**Nonprobate Administration**

Record Kept of "Time Worked"			Record Used in Determining Fee		
Response	Number	Percentage	Response	Number	Percentage
Yes	207	89.6%	Yes	189	89.2%
No	24	10.4%	No	23	10.8%
	231	100.0%		212	100.0%

Source: California Law Revision Commission, Question 6, Probate Practice Survey Questionnaire, 1986.

**TABLE J. PARALEGAL ASSISTANTS**

**Use of Paralegal Assistant**

Do you use a paralegal assistant to assist you in your probate practice?

Yes	115	(50%)
No	115	(50%)

Note. 15 respondents did not answer this question.

**Record of Time Worked**

If you use a paralegal assistant, do you keep a record of the time he or she works on each estate?

Yes	89	(71.2%)
No	36	(28.8%)

Note. 120 respondents did not answer this question.

**Use Paralegal's Rate in Justifying Fee for Extraordinary Services**

Where you claim a fee for extraordinary services, do you show the cost for the services of your paralegal assistant at a paralegal's rate in justifying your fee for extraordinary services?

Yes	79	(61.2%)
No	50	(38.8%)

Note. 116 respondents did not answer this question.

Source: California Law Revision Commission, Question 7, Probate Practice Survey Questionnaire, 1986.

**TABLE K. FEE AGREEMENTS**

(Response indicates the "usual practice" followed by the attorney. The "usual practice" is the practice followed in 50% or more of the regular probate proceedings the attorney handles.)

<b>Response</b>	<b>Number</b>	<b>Percentage</b>
Both Written and Oral Agreement	12	4.9%
Written Agreement Only	31	12.6%
Oral Agreement Only	111	45.1%
No Agreement	<u>92</u>	<u>37.4%</u>
	246	100%

Source: California Law Revision Commission, Question 16(d)(1),(2), Probate Practice Survey Questionnaire, 1986

**TABLE L. WRITTEN FEE AGREEMENT**

<b>Percentage of Estates Where Written Agreement</b>	<b>Number of Attorneys Reporting</b>	<b>Percentage of Attorneys Reporting</b>	<b>Cumulative Percentage of Attorneys Reporting</b>
0%	164	66.9%	66.9%
1%	4	1.6%	68.6%
2%	1	0.4%	69.0%
5%	13	5.3%	74.3%
10%	14	5.7%	80.0%
15%	1	0.4%	80.4%
20%	2	0.8%	81.2%
25%	4	1.6%	82.9%
50%	6	2.4%	85.3%
60%	2	0.8%	86.1%
75%	2	0.8%	86.9%
80%	4	1.6%	88.6%
85%	1	0.4%	89.0%
90%	3	1.2%	90.2%
95%	1	0.4%	90.6%
100%	23	9.4%	100.0%

Source: California Law Revision Commission, Question 16(d)(1), Probate Practice Survey Questionnaire, 1986. N 245.



**TABLE M. ORAL FEE AGREEMENT**

<b>Percentage of Estates Where Oral Agreement</b>	<b>Number of Attorneys Reporting</b>	<b>Percentage of Attorneys Reporting</b>	<b>Cumulative Percentage of Attorneys Reporting</b>
0%	92	37.6%	37.6%
4%	1	0.4%	38.0%
5%	8	3.3%	41.2%
10%	6	2.4%	43.7%
15%	1	0.4%	44.1%
20%	6	2.4%	46.5%
25%	5	2.0%	48.6%
33%	1	0.4%	49.0%
40%	2	0.8%	49.8%
50%	13	5.3%	55.1%
60%	1	0.4%	55.5%
75%	4	1.6%	57.1%
80%	2	0.8%	58.0%
85%	2	0.8%	58.8%
90%	10	4.1%	62.9%
95%	6	2.4%	65.3%
99%	2	0.8%	66.1%
100%	83	33.9%	100.0%

Source: California Law Revision Commission, Question 16(d)(2), Probate Practice Survey Questionnaire, 1986. N 235.

**TABLE N. NEED FOR CHANGE IN EXISTING METHOD OF FIXING ATTORNEY FEE**

Should any change be made in the existing California provisions governing the manner of determining the attorney's fee for services provided in connection with a decedent's estate?

	Response	Number	Percentage
	Yes	103	47%
	No	<u>116</u>	<u>53%</u>
		219	100%

Source: California Law Revision Commission, Question 18(a), Probate Practice Survey Questionnaire, 1986.

**TABLE O. UNIFORM PROBATE CODE SCHEME FOR FIXING FEES**

Do you favor [the UPC scheme for fixing of fees of the personal representative and the fees of the attorney for the personal representative (UPC § 3-715(21) and 3-721)]?

	Response	Number	Percentage
	Yes	57	24%
	No	<u>181</u>	<u>76%</u>
		238	100%

Source: California Law Revision Commission, Question 18, Probate Practice Survey Questionnaire, 1986.

**TABLE P. ADEQUACY OF EXISTING STATUTORY FEE FOR SMALL ESTATE**

Do you believe the existing statutory fee is inadequate for estates of less than \$60,000?

	Response	Number	Percentage
	Yes	172	73.5%
	No	62	26.5%
		234	100%

Source: California Law Revision Commission, Question 18(b), Probate Practice Survey Questionnaire, 1986.

**TABLE Q. REASONABLENESS OF EXISTING STATUTORY FEE FOR PROBATE OF ESTATE OVER \$10 MILLION**

Do you believe that the existing statutory fee is excessive for estates over \$10 million?

	Response	Number	Percentage
	Yes	103	48.6%
	No	109	51.4%
		212	100%

Source: California Law Revision Commission, Question 18(c), Probate Practice Survey Questionnaire, 1986.

**TABLE R. INTERESTED PERSON OBJECTS TO ATTORNEY FEE AT COURT HEARING**

Percentage of Estates Where Interested Person Objects	Number of Attorneys Reporting	Percentage of Attorneys Reporting	Cumulative Percentage of Attorneys Reporting
0%	193	78.8%	78.8%
1%	16	6.5%	85.3%
2%	7	2.9%	88.2%
3%	2	0.8%	89.0%
4%	1	0.4%	89.4%
5%	19	7.8%	97.1%
7%	1	0.4%	97.6%
10%	4	1.6%	99.2%
20%	1	0.4%	99.6%
25%	1	0.4%	100.0%

Source: California Law Revision Commission, Question 16(d)(3), Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE S. FEE REDUCED BY COURT BECAUSE OF OBJECTION**

Percentage of Estates Where Court Reduces Fee After Objection	Number of Attorneys Reporting	Percentage of Attorneys Reporting	Cumulative Percentage of Attorneys Reporting
0%	211	86.1%	86.1%
1%	11	4.5%	90.6%
2%	6	2.4%	93.1%
3%	2	0.8%	93.9%
5%	8	3.3%	97.1%
10%	6	2.4%	99.6%
40%	1	0.4%	100.0%

Source: California Law Revision Commission, Question 16(d)(4), Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE T. FEE REDUCED BY COURT WHERE NO OBJECTION MADE TO FEE**

<b>Percentage of Estates Where Court Reduces Fee Where No Objection</b>	<b>Number of Attorneys Reporting</b>	<b>Percentage of Attorneys Reporting</b>	<b>Cumulative Percentage of Attorneys Reporting</b>
0%	158	64.5%	64.5%
1%	14	5.7%	70.2%
2%	7	2.9%	73.1%
4%	1	0.4%	73.5%
5%	25	10.2%	83.7%
10%	24	9.8%	93.5%
15%	1	0.4%	93.9%
20%	10	4.1%	98.0%
25%	1	0.4%	98.4%
40%	1	0.4%	98.8%
50%	2	0.8%	99.6%
80%	1	0.4%	100.0%

Source: California Law Revision Commission, Question 16(d)(5), Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE U. INDEPENDENT ADMINISTRATION AUTHORITY GRANTED**

<b>Percentage of Estates Where Authority Granted</b>	<b>Number of Attorneys Reporting</b>	<b>Percentage of Attorneys Reporting</b>	<b>Cumulative Percentage of Attorneys Reporting</b>
100%	162	66.1%	66.1%
99%	9	3.7%	69.8%
98%	1	0.4%	70.2%
95%	20	8.2%	78.4%
90%	26	10.6%	89.0%
85%	2	0.8%	89.8%
80%	6	2.4%	92.2%
75%	3	1.2%	93.5%
40%	1	0.4%	93.9%
30%	2	0.8%	94.7%
25%	1	0.4%	95.1%
20%	1	0.4%	95.5%
10%	1	0.4%	95.9%
0%	10	4.1%	100.0%

Source: California Law Revision Commission, Question 12(a), Probate Practice Survey Questionnaire, 1986. N 245.

**TABLE V. REAL PROPERTY TRANSACTIONS INCLUDED  
IN INDEPENDENT ADMINISTRATION AUTHORITY**

Percentage of Estates Where Real Property Authority Included	Number of Attorneys Reporting	Percentage of Attorneys Reporting	Cumulative Percentage of Attorneys Reporting
100%	117	49.8%	49.8%
99%	6	2.6%	52.3%
95%	21	8.9%	61.3%
90%	17	7.2%	68.5%
87%	1	0.4%	68.9%
85%	6	2.6%	71.5%
80%	8	3.4%	74.9%
75%	4	1.7%	76.6%
70%	4	1.7%	78.3%
60%	2	0.9%	79.1%
50%	11	4.7%	83.8%
40%	1	0.4%	84.3%
30%	1	0.4%	84.7%
25%	2	0.9%	85.5%
20%	2	0.9%	86.4%
10%	5	2.1%	88.5%
5%	3	1.3%	89.8%
2%	1	0.4%	90.2%
1%	3	1.3%	91.5%
0%	20	8.5%	100.0%

Source: California Law Revision Commission, Question 12(b), Probate Practice Survey Questionnaire, 1986. N 235. Ten of the 245 respondents to the Questionnaire never request independent administration authority.

10/02/87

**APPENDIX 2. COMPARISON OF FEES UNDER FEE SCHEDULES  
USED IN VARIOUS STATES**

*Note. It is unclear whether Arkansas, Delaware, New Mexico, and Wyoming subtract liens on estate property to determine the value of the estate to compute the attorney fee. This Appendix assumes that these four states use gross value (liens not subtracted). If this assumption is incorrect for any of these states, the estate value shown will be incorrect.*

**"TYPICAL" ESTATE**

In order to make a comparison of the fees computed under the fee schedules used in the various states, the fee in each of the states using a fee schedule was computed for the case described below. The assumptions concerning this "typical" estate are drawn so there are no extraordinary services, such as a sale of real property.<sup>1</sup>

**Property in decedent's estate (nonprobate transfers excluded):**

**Home** - value at date of death \$250,000; outstanding balance on mortgage on home at date of death \$125,000.

**Stocks and bonds** - value at date of death \$100,000; \$50,000 in U.S. Government bonds; \$50,000 in N.Y. Stock Exchange listed stock).

**Motor vehicle** - value at date of death \$10,000; loan on car \$6,000.

**Household goods and furnishings** - value at date of death \$10,000.

**Savings accounts** - value at date of death \$5,000.

Decedent's will devised equal shares of the decedent's estate to the decedent's two children.

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1. It is assumed for the purpose of computing the fee that no additional compensation would be allowed for the sale of stocks and bonds. In California and most of the other states, additional compensation is allowed for extraordinary services, and additional compensation might be allowed in California for sale of the stocks and bonds.



The decedent's home is distributed (without sale) to the two children. Stocks and bonds (valued at date of death at \$30,000) are sold during administration of the estate at a net price of \$40,000 (\$10,000 in excess of the value at date of death). For the purposes of this example, it is assumed that no additional compensation is awarded for services in connection with this sale. The loan on the motor vehicle is paid off during administration and the motor vehicle is distributed to one child (\$10,000) and the household goods and furnishings are distributed to the other child (\$10,000).

COMPUTATION OF FEE ON TYPICAL ESTATE

CALIFORNIA

California uses gross value to determine the attorney fee, and does not subtract liens. Cal. Prob. Code § 901 (commission "based upon the total amount of the inventory plus gains over appraisal value on sales, plus receipts, less losses on sales, without reference to encumbrances or other obligations on property in the estate, if any"); Estate of Stein, 267 Cal. App. 2d 631, 73 Cal. Rptr. 324 (1968).

Value of estate for purpose of computing attorney fee

Home .....	\$250,000
Stocks and bonds .....	100,000
Motor vehicle .....	10,000
Household goods and furnishings .....	10,000
Savings accounts .....	5,000
Gain over appraised value on sale ....	<u>10,000</u>
Total .....	\$385,000

Computation of attorney fee:

First \$15,000 (4%) .....	\$ 600
Next \$85,000 (3%) .....	2,550
Remaining \$285,000 (2%) .....	<u>5,700</u>
Total .....	\$ 8,850

Attorney is entitled to this statutory fee and court is not authorized to reduce it because it results in "excessive" compensation.

ARKANSAS

Value of estate for purpose of computing attorney fee

Unclear whether gross or net value used. Fee "based on the total market value of the real and personal property reportable in the Probate Court." Ark. Stat. Ann. § 62-2208 (Supp. 1985). "Property reportable in the Probate Court" may mean property in inventory. Unclear whether inventory lists gross or net value. See *id.* § 62-2301. This illustration assumes Arkansas uses gross value (same as California), but excludes gain on sales. .... \$375,000

Computation of attorney fee:

First \$5,000 (5%) .....	\$ 250
Next \$20,000 (4%) .....	800
Next \$75,000 (3%) .....	2,250
Remaining \$275,000 (2 3/4%) .....	<u>7,563</u>
Total .....	\$10,863

Fee schedule does not apply if attorney otherwise contracts with personal representative; if court determines schedule to be excessive or insufficient, it shall allow a fee "commensurate with the value of the legal services rendered." Ark. Stat. Ann. § 62-2208 (Supp. 1985). Personal representative may fix fee without prior court approval, "but the reasonableness of the compensation of any person so employed shall, on petition of any interested person, or on petition by the personal representative, or, on the court's own motion, be reviewed by the court." *Id.*

DELAWARE (court rule)

Value of estate for purpose of computing attorney fee:

Computed on "inventory and appraisement (as reported in the recapitulation of the Inventory)" Del. Ch. Ct. R. 192(b). The inventory and appraisal shows each item of property "separately valued at its fair market value as of the date of death." Del. Code Ann. tit. 12, § 1905 (Supp. 1986). Not clear whether this means gross or net value. This illustration assumes Delaware uses gross value (same as California) but excludes gains on sales ... \$375,000

Computation of attorney fee:

#375,000 (3.2%) .....	\$12,000
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The \$12,000 "represents the maximum amount allowable without petition to the Court, and that amount is not necessarily to be charged in every case." Del. Ch. Ct. R. 192(c). Court can allow fees in addition to rate schedule amount. Del. Ch. Ct. R. 192(d).

HAWAII

Value of estate for purpose of computing attorney fee:

Hawaii appears to use net value: Rate computed "on the value of the probate assets . . . as finally determined for federal estate tax purposes or, if none, for state inheritance tax purposes." Hawaii Rev. Stat. § 560:3-719 (1985). Federal estate tax based on taxable estate (26 U.S.C. § 2051), determined by deducting debts and mortgages from gross estate (26 U.S.C. § 2053). Hawaii repealed its inheritance tax in 1983. 1983 Hawaii Sess. Laws ch. 217, § 10. Hawaii also appears to exclude gains on sales. Hawaii Rev. Stat. § 560:3-721 (1985) ("attorney shall not be allowed a fee based upon the income of the estate"). ... \$244,000

Computation of attorney fee:

First \$15,000 (4%) .....	\$ 600
Next 85,000 (3%) .....	2,550
Remaining \$144,000 (2%) .....	<u>2,880</u>
Total .....	\$6,030

IOWA

Value of estate for purposes of computing attorney fee:

Iowa uses gross value, and does not subtract liens on estate property. Iowa Code Ann. § 633.197 (West 1964) (commission on "the gross assets of the estate listed in the probate inventory for Iowa inheritance tax purposes"). This illustration assumes Iowa excludes gains on sales..... \$375,000

Computation of attorney fee:

First \$1,000 (6%) .....	\$ 60
Next \$4,000 (4%) .....	160
Remaining \$370,000 (2%) .....	<u>7,400</u>
Total .....	\$7,620.

Attorney entitled to "such reasonable fee as may be determined by the court, for services rendered, but not in excess of the schedule of fees" provided by statute. Iowa Code Ann. § 633.198 (West 1964).

**MISSOURI**

Value of estate for purposes of computing attorney fee:

Unclear whether gross or net value used. Fee based on "the value of the personal property administered and of the proceeds of all real property sold." Mo. Ann. Stat. § 473.153 (Vernon Supp. 1987). Accord, Estate of Newhart, 622 S.W. 2d 398 (Mo. App. 1981) (fee calculated on net proceeds of sale of real property where purchaser assumed mortgage and estate received cash for equity). Question open whether gross or net value used for real property not sold, and for personal property. This illustration assumes Missouri uses gross value of personal property and includes gains on sales (same as California). Missouri excludes the home ....  
\$135,000

Computation of attorney fee:

First \$5,000 (5%) .....	\$ 250
Next \$20,000 (4%) .....	800
Next \$75,000 (3%) .....	2,250
Remaining \$35,000 (2 3/4%) .....	<u>963</u>
Total .....	\$4,263

**MONTANA**

Value of estate for purposes of computing attorney fee:

Montana appears to use net value: Computes rate on "the value of the estate as reported for federal estate tax or state inheritance tax purposes, whichever is larger." Mont. Code Ann. § 72-3-631 (1985). Federal estate tax based on taxable estate (26 U.S.C. § 2051), determined by deducting debts and mortgages from gross estate (26 U.S.C. § 2053). Montana inheritance tax also based on net value. Mont. Code Ann. § 72-16-308 (1985). This illustration assumes Montana excludes gain on sales. Net value ... \$244,000

Computation of attorney fee:

First \$40,000 (4.5%) .....	1,800
Remaining \$204,000 (3%).....	<u>6,120</u>
Total .....	7,920

Reasonable compensation not to exceed amount computed above, but additional compensation may be allowed by court on good cause shown. "In any dispute concerning fees, the court shall set the fee." Mont. Code Ann. § 72-3-634 (1985).

**NEW MEXICO**

Value of estate for purposes of computing attorney fee:

Fee based on personal property "at its estimated value which shall come into his possession in his capacity as personal representative." N.M. Stat. Ann. § 45-3-719 (1978). Unclear whether gross or net value of personal property used. This illustration assumes New Mexico uses gross value and includes gain on sales (same as California). The home is excluded. Special rate for cash or equivalent and U.S. government bonds ....  
\$135,000

Computation of attorney fee:

Savings Accounts and U.S. Government Bonds:

First \$5,000 (5%) .....	\$	250
Remaining \$50,000 (1%) .....		500

Other estate assets:

First \$3,000 (10%) .....		300
Remaining \$77,000 (5%) .....		<u>3,850</u>
Total .....	\$	4,900

Statutory fee schedule determines attorney fee "unless the attorneys' fees are otherwise fixed by the court upon showing proper cause." N.M. Stat. Ann. § 45-3-720 (1978).

**WYOMING**

Value of estate for purposes of computing attorney fee:

Unclear whether gross or net value is used. Fee "is computed on the basis of the amount of the decedent's probate estate accounted for" using the inventory value. Wyo. Stat. §§ 2-7-803, 2-7-804 (Supp. 1987). Unclear whether inventory lists gross or net value. See *id.* § 2-7-404. This illustration assumes Wyoming uses

gross value (same as California). Gains on sales are included.

Id. § 2-7-803(c). ..... \$385,000

Computation of attorney fee:

First \$1,000 (10%) .....	100
Next \$4,000 (5%) .....	200
Next \$15,000 (3%) .....	450
Remaining \$365,000 (2%) .....	<u>7,300</u>
Total .....	8,050

APPENDIX 3. STATEMENTS FOR OR AGAINST ADOPTING UPC COMPENSATION SCHEME

APPROVE ADOPTING UPC COMPENSATION SCHEME

199 - This would make probate work fit in better with the overall economics of law practice.

232 - Statutory fees do not benefit client when paralegal services are utilized; only the attorney benefits.

300 - Most non-probate services are subject to private contract between attorney and client. I see no reason to continue the antiquated practice of involving the court in fee determinations if nobody objects. Indeed there are some extraordinary probate-related services which should not be placed on public record to support a fee award. Examples of this may be settling a tax fraud case for a well-known person who may not want the accusation to be public; or negotiating a settlement with someone claiming to be an illegitimate child. The lawyer is placed in the position of trying to protect the client's privacy and trying to justify to a court the amount of the fee, when the client already approves the fee. If a superb result is obtained as a result of settlement negotiations, it would be foolhardy for the client or the lawyer to flaunt the result on the public record to support the fee. The probate court should be involved only if there is a dispute as to the fee.

305 - Corporate fiduciaries provide more services which would otherwise be performed by attorney; estate should benefit from decreased attorney involvement.

306 - We're way off base now. My fee nearly always is based on hourly basis because I have ongoing business relationships with these people, who also are friends. Other reasons:

- 1) Usually I've prepared the will/trust/ whatever & paved the way for orderly probate.
- 2) In today's inflationary times, the statutory fee is excessive. We (lawyers) already have a reputation for gouging and I'd like to turn that around.
- 3) Monthly bills paid are more appreciated by my bookkeeper than pay-when-done bills. Also, they're predictable cash-flow-wise.

363 - I feel fees should be subject to agreement of parties. The system would have to provide a reasonably short time frame for interested parties to object.

Under present provisions there is overcompensation in some estates and under compensation in others. Fees should be determined as in other matters by agreement with the client.

388 - This would defuse resentment against attorneys, the court system and probate procedures.

437 - This would cause administration of estates to be charged as are other legal services; Problems could arise, but the "fixed schedule syndrome" resented by the public would be eliminated.

442 1) In small estates, we can't handle because fees too low.  
2) Court often unreasonable regarding allowable hourly rates for experienced counsel. Similar problem in conservatorships.  
3) Allow charging for paralegal time in extraordinary fee matters!

450 - Statutory fees are often exorbitant where there is a corporate executor who does most of the work. Fees for extraordinary services are often claimed without regard to adequacy or inadequacy of statutory fees.

473 - My clients are financially sophisticated and thus the courts involvement in the executor, trust and attorneys fee determination is not usually needed or desirable.

538 - Makes fees competitive and still subject to approval.

543 - Fee schedule is capricious--frequently over compensates.

. . . I'm not sure why we don't just let the attorneys charge what the traffic will bear. That's what we do when a client dies with a living trust, and there does not appear to be any abuse. Realizing "what the traffic will bear" isn't going to fly politically, I suppose the compromise is to fall back on the concept of "reasonable fees." I would suggest however that the determination of fees be kept out of the court system to the maximum extent possible . . .

Personally, I do very few probates these days. Most of my older clients have paid me hard cash to avoid the system we claim protects them. Normally this takes the form of setting up living trusts. It is amazing how well these trusts work. The creditors get paid. The attorney gets paid. The heirs get their property. The tax work gets done. And the miracle of it all--and I have seen this with my own eyes--it all happens without court supervision. Also, without complaint to the legislature. Of course we don't have statutory fees which might cause criminal lawyers to try to do an "occasional trust" on the side.

558 - Courts are out-of-touch with what it costs to run a law office and they uniformly view our fee requests with an unnecessarily jaundiced eye. I have no such problems with most of my clients.

561 - Current statutory fee as a % is not fair to estate--too high in most cases; too low in others (few).

567 - Believe that level of competition among lawyers would act to lower prevailing fee for probates if negotiated fees were the norm, and therefore our business would increase since our firm can compete on price.

593 - Statutory fee structure is generally high in estate of \$100,000 or more if attorney is skilled probate attorney. Very frequently attorney receives an average of \$400-600 per hour for time spent. Size of estate is generally not related to work involved.



625 - Because of the alternatives to probate that exist, often the probate fee is inadequate for the services required to be performed.

699 - It would be fairer and avoid windfalls to attorneys. If a case justifies a large fee, presumably the attorney will obtain an adequate fee by demanding such to take the case, as we do in any other litigation or legal matter.

700 - A large portion of my practice is trusts. A primary client consideration is large attorney court costs for probate.

757 - Too many times on smaller estates more time is spent than is adequately compensated for because of the present fee structure.

766 - I always keep track of my time, and I only charge extraordinary fees to the extent the statutory fee doesn't cover my rates. It's only fair; while I long for that \$10 million probate estate, I always use living trusts for my wealthy clients; a percentage fee on some estates is not reasonable. The proposed change provides for services according to effort expended.

879 - But I believe a review policy should be established with input from the courts and local bars. Perhaps a larger beginning % (not 4% of 1st \$15,000) should be allowed and a ceiling put on extremely large estates with room to claim extra fees.

884 - Would eliminate local court prejudice against out of town attorneys. Also would make it easier on big city firms who comply with details for court while small towns get probates done easily.

914 - I approve because this would make fees reasonable in relation to services performed in probate cases, just as they now are in non-probate cases.

932 - This is proper in basic concept. Our probate courts and commissioners are excessively involved and inadequately qualified in many aspects of the work--and most often in matters involving fees and tax questions.

1014 - time & effort would be rewarded rather than simple gross value.

1025 - The courts are too much involved in the probate process. Where there is no disagreement among the beneficiaries or creditors, it should be a summary process.

1027 - Clients should be free to select their own attorneys and agree to a basis for fees. So long as all interested parties have notice, the court should not be involved. Better lawyers should charge more.

1029 - A reasonable fee will be more likely to heirs.

1050 - For too often, the statutory scheme is completely unrelated to the amount of work involved; a percentage based scheme misallocates

cost of providing legal services & unnecessarily occupies court time with compensation issues not in dispute.

1056 - Would probably end windfalls on large estates, but would end losses on small ones.

1057 - Clients in larger estate often require it now. The larger estates no longer cover the smaller estates and they must now start paying their own way or more and more attorneys will refuse to handle them.

1059 - Clients disregard abusive use of your time because there is no "bill", it's statutory. Small estates run up a bill that is never paid while large estates feel the attorney is over compensated.

1063 - Present practice in general results in a fee too high for the nature and extent of services rendered.

1075 - It seems to me to be a waste of courts time to review and approve fees when no dispute or objection to fee request, but potential for abuse.

1090 - I think charging for probate work on a time basis (hourly rate) is fair and would be preferable to the existing schedule.

1094 - On the issue of probate attorney fees, I support a change to a system of having fees a matter of agreement with the fiduciary, subject to court review. Two justifications I know of for the present statutory fee system are (1) that the amount of attorney effort required corresponds to the appraised value of the assets and (2) that the attorney will be overpaid in as many estates as he is overpaid. In my experience, the first justification is not true and the second, if true, results in some clients subsidizing work done for others. The fee by agreement system is not without problems, but I believe it would be an improvement. In view of the tax law changes limiting pass through deductions on termination of an estate (and to improve probate attorneys' relations with their partners), it should be clear that fees can be paid currently if sufficient estate cash is available. (I realize that the fee issue is a complex one, and I applaud your efforts to resolve it.)

1095 - The certainty that current law provides is helpful to attorneys and clients but inflexible. Most attorneys however are forced to adopt a "on some you make extra"/"on some you lose your shirt" attitude because the fee is not necessarily related to the actual work required. Also, the recent display of arbitrariness by our local court on the subject of extraordinary fees shows how the current system can jeopardize one's livelihood.

1103 - It would bring probate practice under the fairer guideline of time involved in accomplishing the desired result. Most estates would wind up paying less in fees.

1136 - A well planned estate should only be liable for the time and effort to wind it up. But a "deferred maintenance" estate ought to pay now for what it didn't pay then, without the attorney footing the bill.

**OPPOSE ADOPTING UPC COMPENSATION SCHEME**

11 - (1) Waiting until the end to handle disputes allows too much disgruntled beneficiary leverage: Delay, Extra Court Hearings.

(2) Many probate judges lack experience (or the time to become informed) in technical matters, e.g., tax, and make fast, rule-of-thumb decisions on fees.

109 - I have heard no objection to the current procedures which provide a system of judicial review and approval.

[Note - this lawyer won't do estates of less than \$60,000.]

193 - This can be done now at final account if so desired.

241 - The present system works well -- it saves accounting time and fee negotiations.

251 - This would lead to blatant abuses.

253 - Fees may be based on agreement rather than a statutory percentage but should still be approved by the court to protect all parties concerned.

294 - The fees for small estates--less than \$1,000,000--I believe are roughly fair and reasonable. Why fix something that isn't broken.

307 - It creates another area of possible dispute. For better or for worse the statutory fee provides some guidance and certainty.

339 - Law persons have no rational conception of the complexity of modern day probate proceedings.

356 - The current system works reasonably well except in small estates. Many cases run the risk of no supervision and others would be subject to malcontents under the proposal. Why should the executor run such risks?

358 - The heirs, legatees & devisees are also interested in the fees. Being subjected to the personal desires of the personal representative and the attorney would leave the beneficiaries at the monetary whim of the personal representative & the attorney.

367 - For 30 years I have accepted all probate matters even if the fee was \$2,000 or less before §630 became §60,000. The correlation of values of work performed and statutory fee schedule is satisfactory and fair.

386 - Cost of administration would increase dramatically, especially for modest estates. Consumer would be ill served by change.

392 - Statutory fee is of substantial benefit to smaller estates, where extraordinary fees normally are not recoverable and attorneys hourly rates for time expended often exceed recoverable fee.

400 - The existing fee schedule helps compensates for many services to older people (particularly, in planning their wills, bank accounts, powers of attorney, etc.) for which an attorney cannot charge adequate fees. Probate fees are vital to help maintain an expensive law office for the good of the public we serve.

408 - I have lived & worked under the rule in N.Y. I was so thankful California did not have it since the Bar Associations "suggest" a schedule & people are afraid to challenge it.

432 - Judges have no idea of how expensive it is to practice.

434 - However, client/public need to be educated to the fact that fee for ordinary services is negotiable.

436 - Without court supervision in my opinion there would be an abuse of the fee charged, because of lack of knowledge on both the attorney and the inexperienced personal representative except for the probate specialist.

448 - The statutory fee schedule keeps attorneys & executors from depleting an estate by excessive fees; to the extent the statutory fee is inadequate extraordinarily compensation is available (although courts are increasingly reluctant to grant it).

457 - Present system works. Many would charge more than statutory fee. Most judges reduce fees because they never worked in private practice before going on the bench.

463 - Better to have third party (Judge) objective views on extraordinary fees.

466 - It is already possible for personal representative [to contract] for a less than statutory fee. Above scheme could lead to overreaching by attorneys.

467 - Statutory fees are important safeguards for the client since they set a maximum rate. There is no prohibition against reducing the statutory fee & many attorneys do so. To remove the ceiling on fees would be harmful.

493 - I believe a significant number of clients would be harmed by unethical attorneys. The current system despite its problems provides that the attorney does not get compensation until the estate is closed and the work done.

535 - Fees are presently fair and easily understood by the client and attorney. This change would cause confusion and distrust on the part of clients and heirs.

560 - Most clients do not understand the complexity of probate and the amount of time it takes.

574 - Present system works. Do not have to spend a lot of time negotiating fees. All know where they stand in the beginning.

581 - Statutory fee is preferable in that otherwise a fee agreement must be reached at outset and that is a difficult (emotional) time for the family to consider such.

588 - Probate proceedings come at a difficult time for many families. Not having to negotiate a fee at that time is one less burden we place on them. Clients do not understand probate or the ancillary services (transfers, tax planning, etc.) and will be unhappy with results if "price shopping" becomes prevalent.

599 - We generally lose money on the smaller estate that is less able to pay the full hourly. However, we break even on the larger estates to offset the losses on the smaller estate. An hourly rate would shift fees to the smaller estates.

619 - Adoption would set in motion a search for cut-rate fees and probably services not well rendered.

632 - Probate is often a matter a person gets involved in once in a lifetime. They don't know what is a reasonable fee--the scheme above leave room for over reaching.

651 - First paragraph is appropriate to limit high value simple estates, but explanation paragraph muddles utility to non-exec. heirs who must then retain private counsel to audit executors. Breeds litigation.

655 - May be difficult to obtain refunds; need definition of "other specialized agent or assistant".

666 - Control by court or disinterested arbiter is essential to fairness to all concerned. Recent legislation giving trust companies "free rein" demonstrates how unfair such legislation can be. Clients have no basis of knowledge on such matters.

668 - Creates undue strain in attorney-client relationship.

669 - Such a revision would (1) create uncertainty, resulting in the increased likelihood of litigation, and (2) would be practically unworkable since many probate judges, with little or no experience, would rely on the repealed statutory fees as a standard.

680 - I think clients are comfortable with the concept of court supervision and approval of compensation.

682 - If fiduciary is to determine attorney's fee, fiduciary, not attorney, should bear responsibility for the appropriateness of the

fee. Best policy is current policy because it avoids overreaching and additional litigation over fees.

686 - Virtually every matter we are aware of in states with that type of provision generates larger fees than under our current system, as well as a dispute over the fees. The change would benefit no one.

691 - This would preclude effective representation of smaller estates.

703 - Clients are better off with a standard because the public perception of us is that we charge too much, and it keeps people from planning when they should. Also, it protects lawyers like me who are shy about money. The standard can be worked against in many ways.

709 - The statutory fees, which are lower than fees charged by lawyers in many states back East, are reasonable and avoid questions.

719 - In some estates you are overcompensated (using the statutory fee schedule), but this allows you to do a quality job for the small estate where you will never be fully compensated for your time.

745 - Seems to open the door to abuses and to create uncertainty. Survivors should not be forced to shop around for prices.

761 - I think the current fee structure is reasonable overall.

763 - Generally, the statutory fee schedule works well. I am afraid that unsophisticated executors might be taken advantage of with its absence.

768 - Personal representatives and heirs generally have no idea what an adequate fee should be. Some would err too high, some too low.

771 - I am tired of the prejudice against paying my fee from both the courts and the clients. The courts feel it's absolutely necessary to reduce extraordinary fees. In some difficult estates due to the time involved and the risk of getting no benefit to the estate and thus disapproval of your fee, the cases are essentially becoming contingency cases with no contingency benefit.

788 - Statutory schedule is fair. Protects widows from gouging. Also prevents a lot of potential disputes over nothing.

790 - California has about the fastest probate and lowest fees in the U.S.--but this is better than having a Court or Arbitration Committee second-guessing you with no guidelines.

805 - Great if representing personal representative. Lose the available forum for objection to fees if an interested forum. Many would not object if affirmative action required.

831 - The current scheme is generally quite fair to all parties, even though the popular perception is that it is not. The proposal could be substantially unfair to any of the parties in a great many cases.

- 847 - Subject to abuse and excessive charges.
- 853 - The existing fee schedule is appropriate and removes contention over these issues and the potential for overreaching.
- 869 - To prevent overreaching; sharp practices; and increased fee disputes.
- 880 - Existing provisions are fair and reasonable.
- 885 - The present system works very well. The proposal would create disputes.
- 887 - (1) Attorney could look forward to objections to fees (even if the fees were reasonable) by disgruntled heir; (2) representative and attorney could set too high a fee--possibly of abuse.
- 890 - I believe the suggested language invites litigation whether merited or not. I would rather have court approval.
- 922 - The court should set the fee to protect the unsophisticated beneficiary. The statutory fee works--but even if it were repealed, the court should still have the power to review fees in all cases.
- 967 - I am happy with the existing system.
- 981 - (1) The above language contains NO STANDARDS: What measure for an acceptable contract? Value of estate? What if negative?  
(2) Does not follow the will contest views of shifting liability for unfounded objection to objector.
- 988 - Few clients have any understanding of an "appropriate" fee. Guidelines and court supervision provide valuable services--too many elderly widows, etc. would be susceptible to overcharge with few actual objections.
- 990 - Too much time wasted fighting over fees.
- 1006 - Lead to collusion between attorney & representative. Present system works great - Leave it alone. Probate proceedings would never end.
- 1015 - California statutory fee is "fair" when judged by comparison to other jurisdictions. System minimizes fee disputes; better for client & lawyer.
- 1016 - I am getting old - I resent change - I think the old system works well - Present system minimizes controversy.
- 1017 - Both attorney and client are better off with certainty of fixed fee.
- 1018 - The fixed fee schedule, although low, is of benefit to both attorney and client.

1023 - Believe it should be subject to court approval.

1024 - Too much trouble, and too much opportunity for dissension.

1028 - The statutory fee schedule is fair and provides a readily determined fee for probate services. Negotiation between the personal representative and attorney would encourage extensive fee shopping and encourage minimum work or services to be performed by cut rate attorneys.

1030 - Contemplates excessive concern in negotiation of fee with client particularly in area with few guidelines - Standardization of fees recommended in probate cases (still).

1031 - Unsupervised fees would be detrimental to beneficiaries and would result in more litigation regarding fees.

1034 - The statutory fee is probably necessary to get most estates closed. Those of us fortunate enough to handle large estates can afford to be generous; but if you try to provide all necessary services including tax planning in smaller estates you probably will lose your shirt. I'm cynical enough to believe that to allow most attorneys to set their own fees (even though that is what I do) will be disadvantages to most estates.

1035 - I think 75% of clients would require court review & would induce "shopping" & improper advertising.

I would strongly object to the proposal relating to changing the fees to a review process. The present system allows for adjustment of the statutory fees and commission which is sufficient protection in my view. I think adoption of the proposal would just promote rabid competition by some offices, with heirs going from office to office to check out the lowest bids.

I do think there should be a minimum fee and commission allowed for estates under \$15,000.00. I have handled estates where there has been real property of a value of \$500.00 or \$1,000.00 or \$2,000.00 or \$3,000.00, and obviously 4% of these values does not begin to pay for the work. Fortunately the courts have been generous in allowing extraordinary fees, but I would suggest a minimum of \$250.00 to \$300.00. What can happen in relation to fee allowances can be illustrated by what happened in our county a few years ago. Attorneys had normally been asking for \$500.00 extraordinary fees for preparing federal estate tax returns. A couple of judges took the position that the work wasn't worth more than \$250.00. So we and perhaps quite a few other attorneys just quit doing them and the judges never said a word about payment of \$750.00 to accountants.

1038 - The outlined scheme will further put the profession in disrepute - the present statutory plan is generally fair and certain.

1052 - Present system is more fair and acceptable to unsophisticated persons who are representatives or heirs of estate.



1054 - The present fee schedule is fair, reasonable, and has been proven workable. It is an upper limit as well as a lower limit, and everyone knows in advance what the fee will be.

1055 - I favor a statutory fee even though it's sometimes too low and sometimes too high. Without it more attorney and court time is spent fixing fees than handling the clients problems.

1060 - Clients seem to accept the fees if the code sets them. I feel they might start complaining if we set our own.

1064 - As it now is, the ordinary fee is ascertainable by an independent standard (fee schedule). Clients are suspicious enough of attorneys and would not trust an hourly or other rate where they would have no way to check the time actually expended.

Some probate judges are unaware of the cost of law practice when it comes to awarding fees. One judge I have appeared before does not give more than \$85.00 per hour for extraordinary services and another gives \$100. This is regardless of the quality of the work performed, the skills of the attorney performing it, and the general overhead we encounter. Under no circumstances would I want to make our fees completely discretionary with the court as I find some judges to be arbitrary.

Except on probate matters where I use the statutory fee as a guideline, my legal fees for estate planning and the like are on a fixed-fee basis so the client knows in advance what something will cost. This is set before I charge any fees at all, and if the prospective client objects, he can go elsewhere at no cost. That way I seldom have any complaints after the work is performed. If the fee in probate were reduced to an hourly rate, it would be impossible to set even an approximate fee since each estate is quite different. I see no benefit to the public by eliminating the statutory fee for work actually performed in probate. I think it would cause a decline in services and an increase in complaints. I am not even sure judges would want this responsibility to set fees because they may get complaints from both sides even if they attempted to be fair.

1065 - Too many unaware persons could be overcharged. The current percentage method is easy for the client to understand. There can be no disputes as to how long it took to complete task (i.e. Too many hours expended).

1067 - The beneficiaries are at a severe disadvantage in fee negotiation and without any guideline such as a statutory fee schedule for either the personal representative or the attorney may foster collusion between personal representative and attorney.

1068 - Statutory fee avoids fee shopping.

1069 - Too radical a change. Fee could be agreed upon but should not be paid until court approves with a showing of work performed and all other factors shown in #16 above.

1070 - I believe it will give rise to abuses and excessive attorneys

fees.

1072 - Would lead to fee disputes, collection problem, quality of services, increase costs, possibly higher fees.

1073 - Note: The above appears to allow a court to review fees; it does not, by itself, allow fees to be fixed & set as provided by the following:

- 1) At time of death, the prospective client is often an heir/legatee, & not in position to bargain.
- 2) At outset, some estates appear simple & are complex and vice versa, so hard to tell.
- 3) Estates almost always involved lots of problems that require work that must be done to transfer property -- and if done on a "time" basis, cost of probate would increase.
- 4) Lots more time would go into recording time & litigating fees.

1076 - To change present fee procedure would create too many fee arguments and would increase distrust of executors and beneficiaries and result in litigation.

1079 - I do not think personal representative as a general rule have the experience or knowledge to know what the fee should be, and would be subject to potential problems of paying too much, particularly to financial planners, etc. This in turn could potentially lead to the courts having to oversee such matters in retrospect to determine the reasonableness of what the personal representative did. In addition, in probates where there are unfriendly or hostile beneficiaries, this would allow them to question and complain about the decisions made by the representative. I think most personal representatives have enough things to do and matters to handle without also adding the extra burden of negotiating professional fees and having to justify their decisions.

In any event, an experienced personal representative has the ability to negotiate the fees downward under the current probate scheme. They just can't have the ability to adjust the fees upward. I have never seen the court disallow a fee lower than the statutory fee, but I have seen the court (in cases other than my own) disallow fees which are too high. I think this is an important safeguard for both the personal representative and the beneficiaries to have court supervision of fee matters.

1082 - The fees we collect, specially in small estates of under \$150,000 just cover our services, so we are doing okay--not great but okay. I think the above paragraph would result in a traumatic increase in fees in small estates.

1083 - Fee schedule reduces arguments with clients.

1084 - I believe the present situation works out very well in most situations. I don't think we can expect perfection.

1085 - Although fees are normally a matter of contract, I believe when we are dealing with an estate and the rights of beneficiaries, the

court should decide fees in the first instance and fees should be governed by an objective standard.

1096 - The present law giving court approval is preferred except the schedule for estates under \$100,000 is generally inadequate to compensate the attorney for his overhead and professional time.

1097 - Clients are more likely to accept a statutory fee. The proposed provision would lead to litigation, fee-cutting, and difficulty in attorney-client relations. Client would be at unfair disadvantage due to ignorance in negotiating a fee agreement for the handling of the probate.

1108 - I would not be able to meet my overhead if the clients could dictate the amount of the fees. I would probably go out of business.

1133 - Statutory fees are uniform and understood clearly by client. I have no client complaints for statutory fees.

1134 - Fees should be approved by the court. I have seen fees in conservatorships that never were court approved and were determined excessive.

1135 - Too great a chance of exploitation of unsophisticated heirs/personal representatives. All attorneys are not equally good in doing probate so fee should not be basis of selection.

1137 - Fees invariably equal time invested in case. I would do probate for a single heir otherwise, on a contingency (higher) basis.

#### NEITHER APPROVE NOR DISAPPROVE

482 - I don't know - but I think I can predict the result. We will then do all probate work on an hourly basis. Some big estates will pay considerably less. Most small estates (100,000.00 or less) will pay more.

#### OTHER COMMENTS

Anon - I believe that in many cases the statutory fee produces an excessive attorney fee. Often, a large estate with few beneficiaries and primarily liquid assets results in a windfall.

I believe the attorney's fee should be primarily based on time, with weight given to complexity of the estate and efficiency and qualifications of counsel. In short, why shouldn't probate fees for attorneys be determined in the same way as other fees.

Because, however, of the potential unreliability of many executors, the attorney's fee and the basis of the fee should be set forth in the Petition for Final Distribution. The executor, an heir or

the court could object. To prevent excessive complaints by unsophisticated heirs, the Judicial Council should provide guidelines.

J. H. Perkins - did not return questionnaire - Attorneys for personal representatives are frequently not sufficiently qualified to prepare court accountings for trusts and estates. As a result, they often have the personal representative hire accounting assistance. The accountant is then paid from the estate and the attorney collects the statutory commissions without having to perform the work on the accounting. Unless they are outrageously high, the accountant's fees are routinely allowed by Probate Courts under the provisions of Section 902.

I believe the Law Revision Commission should consider an amendment to Section 910 to permit extraordinary compensation to attorneys for preparation of court accountings. Such a provision would provide uniformity in the manner in which estates are charged for such services.

APPENDIX 4. SAMPLE EMPLOYMENT AGREEMENT

Extract from Ross & Swink, California Practice Guide  
Probate--The Ritter Group, Rev. #1 1987, pages 1-68 through 1-70

**SAMPLE EMPLOYMENT AGREEMENT  
(Probate)**

....., 19..

Mr. John Smith  
123 Main Street  
Los Angeles, CA 90071

Re: Estate of Robert Smith, Deceased

Dear John:

This letter sets forth our understanding regarding the employment of this law firm to represent you in your capacity as Executor for the Estate of .....  
A more detailed Letter of Instructions advising you of the various steps necessary to administer your brother's estate will be forthcoming shortly. The primary purpose of this letter is to formalize our agreement to serve as your counsel.

1. General Responsibilities: You have requested us, and we have agreed, to represent you in your capacity as Executor under the will of your deceased [relationship to decedent] ..... Our legal services to you will include assisting you in probating ..... will, marshaling the estate's assets, paying the estate's debts -- including, subject to Paragraph 2, below, Federal and California estate taxes and applicable California and Federal income taxes -- and making final distribution of the net assets of ..... 's estate to the beneficiaries named under his will.

2. Taxes. As we have discussed, in addition to death tax liability, an estate is a separate income-tax paying entity and must customarily pay income taxes to both the State of California and the United States.

Income Tax Returns: The responsibility for preparing all such income tax returns, their timely filing and the timely payment of all income taxes due, will be yours. We suggest that you consult with a certified accountant qualified in the preparation of fiduciary income tax returns to assist you with these matters. We will, however, consult with you and, if you so choose, with your accountant in connection with various elections that must be made regarding the estate's income tax returns (including, for example, the selection of an appropriate fiscal year for the estate).

Mr. John Smith  
....., 19 ..  
Page Two

Estate Tax Returns: We will be responsible for preparing and filing the United States Estate Tax Return (Form 706) and the California Estate Tax Return (Form ET-1). Of course, we will need your assistance in collecting the data necessary to properly prepare these Returns. (This subject will be addressed at greater length in the Letter of Instructions referred to above.)

3. Excluded Matters (Property Disputes): As we have discussed, ..... 's surviving spouse has asserted that certain bank accounts held by ..... in his/her name "for the benefit of" ....., ....., are in fact community property passing into the trust for the benefit of ..... created by her deceased husband's will. You and others dispute this contention and, therefore, at some point in the proceedings it will be necessary for the court to determine this issue. If we were to represent you individually in connection with this matter, it would put us in a conflict of interest position with respect to the estate. Accordingly, we have recommended and you have agreed to hire independent counsel to represent you in connection with this matter. We have also advised you, and you have indicated your understanding, that as Executor you must remain impartial with respect to the litigation of this issue.

4. Attorneys' Fees and Executor's Commissions: Both your compensation for serving as Executor and our compensation for serving as probate counsel will be set by the court toward the end of the administration of the estate. This is explained in greater detail in our Letter of Instructions to you; however, it is appropriate to reiterate here that the California Probate Code sets forth a statutory fee schedule for the computation of compensation payable to estate representatives and to attorneys in connection with "ordinary services" rendered during estate administration. That fee schedule, based on the size of the estate probated, is as follows:

4%	on the first	\$15,000
3%	on the next	\$85,000
2%	on the next	\$900,000
1%	on the next	\$9,000,000
1/2%	on the next	\$15,000,000
	a "reasonable" fee on the excess over \$25,000,000	

Mr. John Smith  
....., 19..  
Page Three

"Extraordinary Services: In addition, the Probate Code empowers the court to authorize payment of "extraordinary" commissions to the personal representative and "extraordinary" fees to the estate's attorneys for "extraordinary services" rendered to the estate. These services include, by way of example only, sales of real property, preparation of the Federal Estate Tax Return, and estate litigation. Our fees for extraordinary services are based primarily upon our hourly rates from time-to-time prevailing, taking into account the size and complexity of the matter at issue, the results achieved and the benefit ultimately conferred upon the estate. Our hourly rates vary from \$150-200 per hour for partners, \$90-140 for associates, and \$40-75 for paralegals. (A schedule of miscellaneous expected disbursements (filing fees, copying charges, and the like) is also enclosed with this letter for your reference.) We will periodically consult with you regarding the probable fees to be incurred as matters calling for such "extraordinary services" arise. Of course, all extraordinary fees must ultimately be approved by the court after a noticed hearing.

Independent Responsibility for Nonprobate-Related Services: Quite apart from the legal services rendered in connection with administration of the probate estate, certain legal services may also be rendered on behalf of persons in an estate, and these fees -- to the extent they are not services on behalf of the probate estate -- may be incurred by those persons individually. That is the case here in connection with the ..... which you and [deceased] owned as joint tenants. As you know, clearing title to this property is not handled as part of the probate administration process and, therefore, the legal fees for these services are not subject to court approval. Our fees for preparing and filing the appropriate documentation to transfer record title into your name will be approximately \$.....; this charge will be billed to you and borne by you personally and not by the estate. With this exception, however, all fees charged by this firm in representing you as Executor for the estate will be paid from the assets subject to probate and, as stated, only after court approval.

Mr. John Smith  
....., 19..  
Page Four

If you have any questions about the proposed engagement, please don't hesitate to call. In addition, you may wish to have this agreement reviewed by an independent lawyer of your choosing.

If you agree to the matters set forth in this letter, please sign and return the enclosed copy. The original is for your file and permanent reference. We appreciate the confidence and trust you have shown in our firm and look forward with you to the prompt and cost-efficient administration of [the deceased's] estate.

Sincerely,

/s/

Bingham V. Deering  
for Deering, Mapleton & Chaney

The Foregoing is Agreed to.

Dated: \_\_\_\_\_

\_\_\_\_\_  
John Smith, as Executor under  
the Will of Robert Smith, and  
individually

BVD:vk



**APPENDIX 5. EXTRACT FROM STEIN STUDY**  
**(COMPENSATING ATTORNEY WHO SERVES AS PERSONAL REPRESENTATIVE)**

Extract from Stein & Fierstein, *The Roll of the Attorney in Estate Administration*, 68 Minn. L. Rev. 1107, 1163-1172 (1984)

1984] *THE ESTATE ADMINISTRATION ATTORNEY* 1163

**VI. THE ATTORNEY AS PERSONAL REPRESENTATIVE**

The attorney for an estate performs such a wide range of services that generalization is difficult.<sup>84</sup> In fact, an attorney

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<sup>84</sup> See *supra* Section V.

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may frequently perform some services that do not, strictly speaking, represent work of a legal nature, such as operating a business or making investments. More prosaically, the attorney may personally have to inventory the decedent's property and pay creditors. Although these tasks are technically the responsibility of the estate's personal representative, the attorney as a matter of convenience or necessity may personally perform such tasks for the estate.

In some estate administrations, the attorney will formally assume responsibility for nonlegal tasks by officially serving as the personal representative of the estate. This arrangement is usually more efficient than the ordinary division of labor between a lay or corporate personal representative and the estate's attorney because an attorney also acting as sole personal representative will presumably have both authority to act and technical knowledge of the legal requirements. Potential communication difficulties are obviated. The attorney-representative is in a position to act quickly because it is unnecessary to wait for a lay representative to be informed and to participate.

An attorney serving as personal representative does, however, have some disadvantages. Although there will be no communication problems between attorney and representative, the problems of communication with other interested parties remain. The process of keeping numerous beneficiaries informed may be time-consuming, yet it requires little technical expertise and thus may be better left to a lay representative. Other tasks that personal representatives must perform fall into this same category.

A personal representative is entitled to a fee or commission for services to the estate. A personal representative who is also a beneficiary may waive the commission—either as a favor to other familial beneficiaries or, because such commissions are taxable income, to receive the amount as a nonincome-taxable inheritance.

Attorneys receive a fee for their legal services to the estate. Should an attorney serving as personal representative also receive additional fees for services as representative?

A survey of prominent estate administration attorneys throughout the United States conducted by the American College of Probate Counsel revealed that knowledgeable attorneys disagree about the propriety of attorneys serving as fiducia-

ries.<sup>85</sup> The survey asked whether it is appropriate for an attorney to serve as coexecutor or cotrustee with a corporate representative. Of the forty-five attorneys who expressed an opinion, seven had no hesitancy about serving, nine would refuse to serve in any case, and twenty-nine generally had negative feelings about serving except in extraordinary situations. Of the fifty-one attorneys surveyed, twenty-two had in fact served as a coexecutor or a cotrustee.<sup>86</sup>

The estate attorney's conscience will of course influence the decision whether to serve as a personal representative. Equally important, however, may be whether state law permits the attorney-personal representative to be compensated separately for both services. The study states have adopted various positions on this issue through both statutory and case law.

California, by statute, sets personal representatives' fees as a percentage of the estate<sup>87</sup> and also sets attorneys' fees at the same percentage.<sup>88</sup> Although no statute prohibits an attorney from being compensated in both capacities, California case law establishes the general rule that an attorney-personal representative is not entitled to a fee for legal services unless the decedent's will names a practicing attorney as executor and specifically provides for compensation in both capacities.<sup>89</sup>

Texas sets representatives',<sup>90</sup> but not attorneys',<sup>91</sup> fees by statute. Although neither Texas statutory law nor case law prohibits an attorney from acting and receiving fees in both capacities for the same estate,<sup>92</sup> Texas case law suggests that a "better practice" is for the order appointing the attorney as personal representative to specify that the heirs have consented to both the attorney's dual appointment and payment of reasonable attorneys' fees in addition to the statutory representatives' fees.<sup>93</sup>

On the other hand, attorneys in Florida, Maryland, and

85. Reichert, *Attorney Serving as Co-Executor or Co-Trustee with a Bank*, 4 PROB. NOTES, No. 4, Summer 1978, at 19, 20.

86. *Id.* at 19.

87. CAL. PROB. CODE § 901 (West 1981).

88. *Id.* § 910.

89. *See, e.g., In re Estate of Thompson*, 50 Cal. 2d 613, 614-15, 328 P.2d 1, 2-3 (1958).

90. TEX. PROB. CODE ANN. §§ 241(a), 242 (Vernon 1980).

91. *Id.* Section 242 states simply that personal representatives are entitled to reimbursement for "all reasonable attorney's fees, necessarily incurred in connection with the proceedings and management of such estate, on satisfactory proof to the court." *Id.* § 242.

92. *See, e.g., Burton v. Bean*, 549 S.W.2d 48, 50-51 (Tex. Civ. App. 1977).

93. *Id.* at 51-52.

Massachusetts are clearly authorized to serve in both capacities and to collect reasonable fees for each. In Florida, such dual fees are specifically authorized by statute.<sup>94</sup> The Maryland Probate Code, at the comment to section 7-602, states that attorneys may act in both capacities and collect reasonable fees for each,<sup>95</sup> with the supervision of the court and the provisions of Canon 12 of the ABA Code of Professional Ethics protecting the estate from unreasonable fees.<sup>96</sup> Massachusetts case law apparently authorizes the attorney serving as personal representative to receive reasonable fees for services in both capacities.<sup>97</sup> Indeed, the former minimum fee schedule of the Massachusetts Bar Association explicitly authorized the attorney to collect fees in both capacities<sup>98</sup>—despite the potential conflict of interest, beneficiaries are deemed to be adequately protected by the safeguard that the court must review and approve attorneys' fees.<sup>99</sup>

*A Statement of Principles Regarding Probate Practices and Expenses*, promulgated by the ABA, addresses the issue of attorneys' fees in the probate area in some detail.<sup>100</sup> The statement specifies that attorneys who serve as sole personal representatives are entitled to compensation in both capacities and attorneys performing part or all of the normal duties of the personal representative should receive increased compensation for the additional work.<sup>101</sup>

Given the divergence of opinion as to the propriety of the

94. FLA. STAT. ANN. § 733.617(3) (West Supp. 1983); see *In re Estate of Melcher*, 319 So. 2d 192 (Fla. Dist. Ct. App. 1975) (attorney appealed the fee award; court upheld lower court's determination of "reasonable fees").

95. MD. EST. & TRUSTS CODE ANN. § 7-602 (1974) (comment).

96. *Id.* The comment states:

This Section is not intended to limit an attorney from acting both as a personal representative or copersonal representative as well as an attorney. It is expected that if an attorney is named as a personal representative or copersonal representative, he may well perform some if not all of the legal services which need to be rendered for the benefit of the estate during the course of administration. How, or whether, he renders services to the estate in two capacities is immaterial since his request for and acceptance of compensation for services in either or both capacities must be determined in accordance with the provision of Canon 12 of the Code of Professional Ethics of the American Bar Association.

*Id.*

97. *First National Bank v. Brink*, 372 Mass. 257, 264-66, 361 N.E.2d 406, 410-11 (1977); *Lembo v. Casaly*, 5 Mass. App. Ct. 240, 244, 361 N.E.2d 1314, 1317 (1977).

98. See *Proposed Minimum Fee Schedule*, 51 MASS. L.Q. 161, 187 (1966).

99. See MASS. ANN. LAWS ch. 215, § 39A (Michie/Law Co-op. 1974).

100. *Statement of Principles Regarding Probate Practices and Expenses*, 8 REAL PROP., PROB. & TR. J. 293 (1973) [hereinafter cited as *ABA Statement*].

101. *Id.* at 296.

estate's attorney also serving as a personal representative, it is perhaps surprising that attorneys serve as representatives as frequently as they do. An attorney served as personal representative, either alone or as co-representative, in 8% of Florida estates, 14% of Maryland estates, and 12% of Massachusetts estates (Table 6.1). By contrast, an attorney served as personal representative in only 2% of Texas estates and in less than 1% of California estates (Table 6.1).

TABLE 6.1  
Type of Representative by Testacy\*\*

	<i>All Estates</i> %	<i>Testate</i> %	<i>Intestate</i> %	<i>(N)</i>
<i>California</i>				
Individual***	93.0	90.3	100	
Corporate***	5.3	7.4	0	(1077)
Individual and Corporate***	1.7	2.3	0	
Lawyer	0.5	0.7	0	
Lawyer and Corporate	*	*	*	(1080)
<i>Florida</i>				
Individual	88.1	85.0	96.6	(440)
Corporate	7.4	9.6	1.6	
Individual and Corporate	4.3	5.5	1.1	
Lawyer	6.7	7.4	5.1	(441)
Lawyer and Corporate	1.3	1.8	0	
<i>Maryland</i>				
Individual	97.6	95.4	100	
Corporate	1.5	2.8	0	(1208)
Individual and Corporate	0.9	2.2	0	
Lawyer	13.2	19.1	6.7	
Lawyer and Corporate	0.5	0.9	0	(1208)
<i>Massachusetts</i>				
Individual	97.9	96.7	99.6	
Corporate	1.5	2.3	0.4	(1033)
Individual and Corporate	0.6	1.1	0	
Lawyer	11.5	17.3	3.9	
Lawyer and Corporate	0.1	0.2	0	(1034)
<i>Texas</i>				
Individual	93.6	93.1	98.7	
Corporate	5.4	5.9	1.3	(1115)
Individual and Corporate	0.9	1.0	0	
Lawyer	1.5	1.1	4.6	
Lawyer and Corporate	*	*	*	(1094)

\* No information is available in these categories.

\*\* Estates in which the character of the representative could not be determined and estates in which no representative was appointed are excluded.

\*\*\* Individual, Corporate, and Individual and Corporate categories sum 100% in each state.

This divergence among the states is significant. Naturally enough, a correlation exists between the number of attorneys serving as personal representatives and the law and practices in each state regarding dual fees. In California and Texas, the two states with lower percentages of attorneys acting in both capacities, case law puts obstacles in the paths of attorneys requesting compensation for serving in both capacities. In contrast, the percentage of attorneys acting in both capacities is greater when there are no limitations on receiving fees for both services, as in Massachusetts, Florida, and Maryland. It is difficult to determine which is the original cause and which the effect, but certainly the decisions against dual fees discourage attorneys from acting in both capacities.

The prevalence of attorney-representatives in some states may further be explained by variables idiosyncratic to each state. For example, the high number of retirees in Florida may lead to numerous decedents dying without relatives living in the state. As a result, both testators and their out-of-state heirs may find it convenient to name the attorney as personal representative.

The effect of other factors common to estates in all of the study states is more uncertain. Estate size seems to have had little effect on whether an attorney is appointed as representative, as attorneys were appointed with similar frequency in large and small estates (Table 6.2). On the other hand, testacy may have had some effect on the appointment, but that effect was not uniform among the study states (Table 6.1). In California, Florida, Maryland, and Massachusetts, attorney-representatives were more prevalent in testate than in intestate estates. In Texas the opposite was true.

TABLE 6.2  
Size of Probate Estate by Type of Representative

	\$1 - 9,999 %	\$10,000- 19,999 %	\$20,000- 29,999 %	\$30,000- 59,999 %	\$60,000- 99,999 %	\$100,000- 499,999 %	\$500,000+ %	(N)
<i>California</i>								
Individual	97.7	97.4	97.2	97.4	82.0	77.6	80.0	
Corporate	2.1	0.5	2.8	2.6	18.0	13.3	16.3	(991)
Individual and Corporate	0.2	2.1	0	0	0	9.1	3.7	
Lawyer	2.3	0	0	0	0	0	0	
Lawyer and Corporate	*	*	*	*	*	*	*	(993)
<i>Florida</i>								
Individual	95.7	92.0	96.1	85.6	79.6	71.1	56.2	
Corporate	4.3	8.0	2.5	7.2	10.7	16.6	11.2	(430)
Individual and Corporate	0	0	1.5	7.2	9.7	12.2	32.6	
Lawyer	6.1	9.2	2.3	11.2	6.4	2.0	11.2	(431)
Lawyer and Corporate	0	0	0	5.9	2.1	1.6	0	
<i>Maryland</i>								
Individual	99.5	99.4	100	94.5	94.5	92.0	68.8	
Corporate	0.5	0.6	0	3.3	5.5	4.9	5.6	(1152)
Individual and Corporate	0	0	0	2.2	0	3.1	25.6	
Lawyer	7.5	23.5	9.1	16.3	16.3	28.9	0	
Lawyer and Corporate	0	0	0	0	0	1.0	20.0	(1152)
<i>Massachusetts</i>								
Individual	99.0	99.6	100	95.4	99.8	86.8	72.1	
Corporate	1.0	0.4	0	2.3	0.2	9.4	19.6	(966)
Individual and Corporate	0	0	0	2.3	0	3.8	8.3	
Lawyer	8.6	12.6	12.1	15.2	16.9	14.2	17.1	
Lawyer and Corporate	0	0	0	0	0	0.1	7.9	(966)
<i>Texas**</i>								
Individual	97.1	98.3	97.9	95.2	93.3	82.0	57.9	

**TABLE 6.2 (cont.)**

Corporate	2.9	1.7	2.1	2.9	6.7	15.4	31.6	(1012)
Individual and Corporate	0	0	0	1.8	0	2.6	10.5	
Lawyer	0.7	1.9	2.3	2.1	0.7	1.4	3.0	
Lawyer and Corporate	*	*	*	*	*	*	*	(994)

\*No information is available in these categories.

\*\*In Texas, asset information was taken from inheritance tax department files as well as probate court inventories.

Total assets were computed by totaling the separate property and half of the community property reported in estates.



The differences between testate and intestate estates might be attributable to differences in the extent to which testators and survivors view the need for naming a legally trained person as personal representative. It would not be surprising if testators had a less favorable view of the abilities of survivors to serve as representative than did the survivors themselves. This theory regarding testators' views of their survivors' competency is further supported by the more frequent use of experienced corporate representatives in testate than in intestate estates.

The attorney-personal representative is a rare but important phenomenon. Measuring changes over time is beyond the power of our data, but there are indications that the prevalence of attorney fiduciaries may increase. A respected California probate practitioner has written an article vigorously advocating more frequent service by attorneys as personal representatives,<sup>102</sup> claiming that no one is better qualified to serve as personal representative than a competent attorney. Moreover, several law firms have formally established "trust departments" within their firms which allow attorneys to both represent a trust and serve as its trustee, another form of dual representation comparable to that of attorney-representative.<sup>103</sup> Accordingly, both because it is likely to increase and because of differing opinions as to its propriety, this aspect of the attorney's participation in estate administration warrants further attention.

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102. See Avery, *Fiduciary Role of the Lawyer: Do Lawyers Practice Like They Did in the 18th Century? A Glimpse into the Future*, 4 PROB. LAW. 1 (1977).

103. There is a long standing custom in Massachusetts of using a "Boston Trustee." These trustees are of three kinds, one of which is a law firm with a trust department. There are not many such firms, but most have existed since the mid-nineteenth century and are well established. Surprisingly, given the history of the Boston Trustee, Massachusetts did not have an inordinately large number of attorneys serving as both counsel and fiduciary in the probate study. For a history of the Boston Trustee, see Curtis, *Manners and Customs of the Boston Trustee*, 97 TR. & EST. 902 (1958).