

THESE ARE THE BIGGEST MISCONCEPTIONS ABOUT INHERITED DEBT, ACCORDING TO EXPERTS



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With inflation sitting at 4.2% currently and prices on many goods and services rising, many Americans have been forced to turn to credit cards and other forms of borrowing lately to get by. Case in point: The total U.S. consumer debt climbed to \$18.23 trillion in May 2026 — with credit card debt accounting for \$1.1 trillion of that total amount. And, the average credit card rate sits at almost 22% currently, creating a vicious cycle that's hard to break free from — even for the most disciplined of borrowers.

Credit card debt isn't the only type of debt you can have, either. There are personal loans, home equity loans, car loans, and, if a loved one dies, potentially even inherited debt, too. That last one is unique, though, and there are many misconceptions about what debt can be inherited and how it must be handled. So, what are the biggest misconceptions related to inherited debt? Experts weigh in below.

These are the biggest misconceptions about inherited debt, according to experts

Here's what experts say to know about this unique type of debt and what it could mean for your finances.

Misconception #1: All types of debt can be inherited

Not every type of debt is passed on to someone's beneficiaries if they die. In fact, very few debts become someone else's financial responsibility after a person dies.

"In most cases you do not inherit a loved one's debt just because you are their heirs," says Skip Skolnik, senior planner and founder at Skolnik Retirement Solutions. "Debts are generally paid for by the estate, not by the heirs."

There are some exceptions, though. If you co-signed the debt for a borrower, then you're likely going to inherit the full responsibility for it once they die. The same goes for if you're a joint account holder or co-borrower with someone.

"We sometimes see our clients have co-signed on a loan for their children's car or home," says Eric Elkins, CEO of Double E Financial Solutions. "If the child were to pass away, then the co-signer of the loan will be next in line to cover that debt."

Debts from a deceased spouse can also be inherited in community property states like Texas, California or Arizona. In those states, you may need to repay any debts your spouse left behind when they die. Some states also require

you to cover medical bills tied to a deceased spouse.

Misconception #2: A mortgage is the same as any other debt

A mortgaged property is a whole different animal when it comes to inheritances, even if your name was never on the loan.

"When you inherit a piece of real estate with a mortgage, you are subject to that debt," says Chris Kampitsis, a certified financial planner with Barnum Financial Group.

If you want to keep the home you inherited, you would need to keep paying the mortgage and stay up to date on property taxes and insurance. But if you don't want to keep the property, you would need to sell it and use the proceeds to pay off the loan.

"If you inherit property with debt attached, you may choose to keep the asset, make the payments, refinance, or sell it," Skolnik says.

Misconception #3: There are no options if you co-signed or co-held the debt

Generally speaking, if you co-signed a loan or had a jointly held account or debt, then you'll be responsible for it once the other person passes. That doesn't mean you have to keep the existing terms on that debt, though.

You could also "negotiate better terms with the lender," Elkins says.

"If you were a joint owner on a car and owed \$10,000, then you would still be responsible for that debt," Elkins says. "Again, you could negotiate with that lender for better terms or sell the car to reduce or eliminate the debt. You never know what they will do without asking."

You could also ensure you have life insurance policies on both you and your fellow account holders. That way, if one of you dies, you have the funds to cover any outstanding debts.

"We often encourage considering taking out a life insurance policy on a debtor — often an inexpensive term-life policy, if you agree to co-sign or jointly enter into a debt-financed transaction with a friend, child, or partner," Kampitsis says.

Misconception #4: If the estate can't pay off a debt, you have to

Most debts are the responsibility of the estate, meaning

that you'll use the deceased person's assets to pay off any outstanding balances, but sometimes an estate isn't worth enough to cover all of the remaining balances. Even in that case, though, it still isn't up to the beneficiaries to cover what's owed.

"If the estate has sufficient assets, legally valid debts are paid out of estate assets before beneficiaries receive their inheritance," says Al Kingan, an estate and business planning executive at MassMutual. "If the estate is insolvent, these debts may be written off or go unpaid."

Misconception #5: You don't need help with it

Inheriting anything can be complicated, so it's important not to just wing it, experts say. If you need help, call in a pro — or several — and make sure you understand all the nuances and intricacies of your loved one's estate.

"These situations can be complicated," Skolnik says. "This is why we usually recommend that when a family gets an inheritance, you put together a dream team of specialists — tax professionals, estate planning professionals, attorneys, probate specialists, and investment specialists. They can put together a complete plan to find out exactly what's going on and guide you."

Also, beware of debt collectors in the weeks and months following your inheritance, and don't make any big payments to creditors before you're sure what's legally your responsibility.

"Your first step is to determine whether the debt belongs to the estate of the deceased or whether you have any personal legal responsibility for it," Skolnik says. "Avoid paying creditors until you understand your rights and the estate has been properly evaluated."

The bottom line

Inheriting a loved one's debt is far less common than many people believe, but that doesn't mean it never happens. Co-signed loans, joint accounts, mortgages attached to inherited property and certain spousal obligations can all create financial responsibilities after someone dies. Before paying a creditor or assuming a debt is yours, take time to understand whether you're legally liable and how the estate will be handled. If you do end up responsible for a significant balance and the payments become unmanageable, options like debt settlement, consolidation or other debt relief strategies may help reduce the financial strain while you work toward a more sustainable path forward.

Ron, "Skip" Skolnik is the senior planner and founder of Skolnik Retirement Solutions in Elyria, OH. Skip has more than 20 years of experience in the senior and financial services industry. He has dedicated his career to helping seniors successfully transition into their golden years.



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