

Have You Checked Your Beneficiary Designations Lately?

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You may regularly monitor the balances of your retirement, bank, and investment accounts, but have you recently reviewed the beneficiary designations tied to these accounts? These often-overlooked details are critical to ensuring your money goes to the right person or entity after your death.

It might have been years since you opened a retirement account, purchased life insurance, or set up a brokerage account. At that time, you likely named a beneficiary—often your spouse or another loved one. But life changes, such as marriage, divorce, remarriage, births, or deaths in the family, could render those original designations outdated.

Beneficiary designations are not only an integral part of estate planning but also a way to bypass probate. However, they take precedence over instructions in your will or trust, making it essential to regularly review and update them.

Accounts That Allow Beneficiary Designations

Many financial accounts and instruments allow you to name a beneficiary, ensuring a smoother transfer of assets. These include:

- **Retirement accounts:** 401(k), 403(b), IRAs, Roth IRAs,

and pension plans

- **Insurance policies:** life insurance and annuities
- **Banking accounts:** checking, savings, and certificates of deposit (CDs)
- **Health and education savings plans:** HSAs and 529 college savings plans
- **Investment accounts:** brokerage accounts, mutual funds, and US savings bonds
- **Employer benefits:** group life insurance and employee stock plans

Why Designations Matter

The person or entity named as a beneficiary on an account will automatically inherit the funds, often bypassing the probate process. Beneficiaries can include:

- Individuals (e.g., spouse, children, friends)
- Trusts
- Charities
- Your estate

You can also designate multiple beneficiaries, dividing assets in specified proportions. However, if no beneficiary or contingent beneficiary is named, or if both predecease you, the account may go through probate, delaying distribution and potentially increasing costs.

When to Review and Update

Beneficiary designations should be reviewed regularly and after major life events, such as:

- Marriage, divorce, or remarriage
- Birth or adoption of children or grandchildren
- Death of a spouse, child, or other beneficiary
- Changes in estate planning goals or laws

- Transferring assets to new accounts or plans

Even without significant changes, it's wise to check designations every three to five years. Overlooking this step can lead to unintended outcomes, such as leaving assets to someone no longer in your life or to a loved one unprepared to manage them.

How to Update Beneficiary Designations

Updating beneficiary designations is typically straightforward but varies by account type:

1. **Online updates:** Many financial institutions offer online tools to update designations.
2. **Paperwork:** Some accounts require physical forms.
3. **Spousal consent:** In certain cases, particularly with retirement accounts, a spouse must consent to alternative designations.
4. **Verification:** Always confirm changes with the account administrator and retain proof for your records.

Details matter when completing these forms. Provide full legal names, relationships, and additional information like Social Security numbers or birthdates to avoid ambiguity.

Consequences of Neglect

Failing to update beneficiary designations can cause assets to be distributed according to the Commonwealth of Massachusetts rather than your wishes. This could lead to disputes, delays, and unintended distributions.

For example, an outdated designation might leave assets to an ex-spouse or overlook new family members. Without a beneficiary, assets could go to probate, subjecting them to additional costs and delays.

Plan Ahead

Beneficiary designations highlight how even small estate planning details can significantly impact your loved ones. These designations cannot be changed after your death, so it's crucial to keep them aligned with your estate plan.

Consulting an estate planning attorney ensures your accounts and property are distributed according to your wishes, protecting your legacy and providing peace of mind for your loved ones.

The information contained in this article is not intended to make you an expert on estate planning nor is this article intended to replace the need for the advice of a professional. Rather, this article is simply intended to provide a basic understanding of why estate planning is important for everybody and a basic understanding of some of the more common estate planning tools. This article does not constitute legal advice.