Have You Checked Your Beneficiary Forms Lately?

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Have you checked your beneficiary designations for your retirement accounts or life insurance policies recently? If not, you may find that your designated beneficiary is not who or what you think it should be, especially if you have had a major life event, such as a divorce, remarriage, or had children or grandchildren since your retirement plan account was established. Have you changed financial institutions? Rolled over a retirement plan? While many of us believe that updating and reviewing our estate planning documents is important, others tend to neglect retirement account and life insurance beneficiary designations. Typically, your retirement accounts and life insurance, if a beneficiary(ies) is properly named, are not part of your probate estate and generally are not governed by the provisions of your will, so it is important to keep these assets up to date. This makes properly naming a beneficiary(ies) incredibly important.

Outdated Beneficiary Designations

I have met with several clients where there has been a divorce, remarriage, or death, but the client has neglected to update his or her beneficiary designation accordingly. This can result in frustration and shock of loved ones upon the client's passing.

What happens when a beneficiary predeceases the retirement

plan owner or the insured?

When a beneficiary predeceases the retirement plan owner or insured on a life insurance policy, it is important that the beneficiary designation form be updated. How should that deceased beneficiary's portion be designated? Do you want it to pass to the beneficiary's children or to the other named beneficiaries? If you do not update your beneficiary designation form, it is possible that the asset will need to pass through probate, causing delay and expense to your family. To avoid unintended outcomes, it is always best to ensure these forms are current.

Should you designate a trust as a beneficiary of a retirement plan or life insurance policy?

I have many clients who have chosen to create on-going trusts for their children or grandchildren. Perhaps the child or grandchild has a disability, or they fear the child or grandchild could lose their inheritance to creditors, divorce, bankruptcy, lawsuits or a failed business.

This can be a useful strategy, as designating the right type of trust as your beneficiary could allow you to provide financial support for your surviving spouse while ensuring that your children and grandchildren are provided for. Choosing the wrong type of trust or naming the trust incorrectly on your beneficiary designation form could result in disastrous tax consequences. Be sure to seek competent professional advice before you name your trust as a beneficiary.

Are you unsure what your beneficiary designation forms say? Do not delay, reach out to each financial institution as soon as possible and ensure that your forms complement your estate plan.

Do you have a suggestion for a future article topic for Attorney Walecka? Reach out to him directly with a question or

topic you think would be helpful to readers.

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.