Beneficiary Designations Matter

Part of our comprehensive wealth advisory service is the review of our clients’ estate planning documents, including beneficiary designations. When a client hands over copies of their wills and trusts for the first time, they sometimes comment: “Our estate plan is in good shape. We updated it last year. It’s probably not necessary to review it.” The hidden danger is that their beneficiary designations (for life insurance policies, IRAs, 401(k)s and pensions) may not be properly coordinated with their wills and trusts. Clients can invest several thousand dollars in wills and trusts to make sure that their children (minor children and adult children) are protected from the dangers of receiving their inheritance in one lump sum, but if that same child is named as beneficiary of a life insurance policy or retirement plan, the trust named in the will won’t pertain to these funds.

Don’t forget about second marriages. Many times a person will remove their ex-spouse from their will and neglect to change the beneficiary designation on their 401(k), IRA, or life insurance policy. Talk about a surprise! Another case in point: property that is held in joint names (with right of survivorship) passes immediately to the surviving joint owner. If the property was supposed to be left in trust for estate planning purposes, this could negate the ability to fund the trust. Clients often tell us that their home is titled in their spouse’s name, but we discover that the home is really titled as Joint Tenancy with Right of Survivorship (JTWROS).

From a planning perspective, it makes sense to dust off every property deed and beneficiary
designation form that you have. Make sure that your assets and beneficiary designations are properly coordinated with your overall estate plan. Finally, make a copy of each beneficiary designation form and property deed. Keep these copies with your wills and other estate planning documents.

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