

Are Your Beneficiary Designations Up To Date?

When was the last time you reviewed your beneficiary designations for like insurance policies and retirement accounts? Very likely, the answer is “never.” But you should review them periodically. Various life events can signal a need to review and possibly change your designation. Consider whether any of the following events have occurred since you named your beneficiaries.

☞ **You’ve married or divorced.** Some employer sponsored retirement plans require you to name your spouse as your beneficiary unless your spouse agrees in writing to you naming another person. As a single parent, did you name your children as your beneficiaries? If you subsequently marry or remarry, your children may not receive your retirement money unless your new spouse signs a waiver after the marriage. A prenuptial agreement may not be enough.

Also, keep in mind that a divorce may not automatically remove a former spouse as your beneficiary. Following a divorce be sure to change the beneficiaries of your insurance policies and retirement accounts, unless these assets are required to pass to your former spouse as part of your divorce settlement. Otherwise, the person you intend to benefit- a significant other perhaps- will have an extremely difficult time proving your intentions.

☞ **Your Designated Beneficiary has died.** If you haven’t named a contingent beneficiary your insurance proceeds or retirement assets will be paid to your estate to be distributed to your heirs under your will. Your family may not be able to receive the assets until your estate is probated, which could take months- or even years. Moreover, you potentially may lose the opportunity to use planning strategies that may better meet your loved ones’ needs and potentially increase the assets they eventually will receive. Be sure to designate both a new primary and contingent beneficiary predeceases you.

- ⌘ **A new child or grandchild has been added to your family.** Avoid confusion and specifically designate additional children or grandchildren as your beneficiaries, especially if you want only certain children or grandchildren to receive your insurance proceeds or retirement assets or want to divide them in a particular way. If you want your assets shared equally among your children, for example, you might want to precede their names with a phrase such as “all children born of or adopted by the insured/participant in equal shares.” That way none of your children would be left out. *Please note: it is suggested you check with a legal advisor to make sure this designation accomplishes your intent in your particular state.*

- ⌘ **The value of your estate changed substantially.** If the value has increased, your spouse, for example, may not need your insurance and/or retirement assets. Your estate-planning goals may be better accomplished by designating your children as your primary beneficiaries and grandchildren as contingent beneficiaries. Conversely, if the value of your other assets has dropped significantly, you may want to make sure your spouse is your primary beneficiary.

- ⌘ **Outright or in trust?** If you have concerns about the ability of any beneficiary to manage funds, for example, because of age, you may want to provide that such beneficiary’s share is held in trust rather than distributed outright. Trusts can provide the trustee with flexibility to determine when and how much should be paid out. Conversely, if the beneficiary’s interest is currently payable to a trust and the reasons for the trust no longer exist, then an outright payout may simply transfer and reduce potential expenses.