ARE YOUR BENEFICIARY DESIGNATIONS UP TO DATE?

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When was the last time you reviewed your beneficiary designations for life 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 designations. 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 your 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 won’t automatically remove a former spouse as your beneficiary. Following a divorce, be sure to change the beneficiaries of your insurance policies and retirement plan 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 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 won’t be able to receive the assets until your estate is probated, which could take months — or even years. Moreover, you 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 if a 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 of your 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.

The value of your estate has changed substantially. If the value has increased, your spouse, for example, may not need your insurance and/or retirement account 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.

How to Review Designations

These are only some of the factors to consider. Your professional financial planner can review your beneficiary designations with you, in light of your family situation and assist you in making any beneficiary changes that are needed.

For more information on this and other wealth management strategies, please contact Richard Krim, ChFC or Scott Krim, CPA.

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