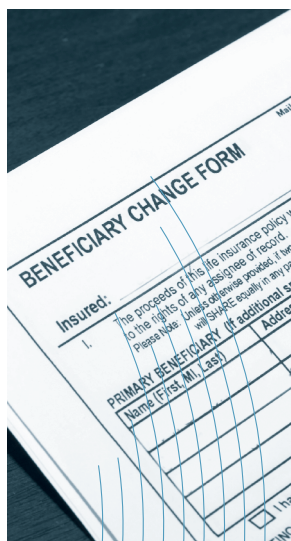


When Life Changes, Change Your Beneficiary



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Key issues:

- Beneficiary designations supersede wills and trusts.
- Review and update beneficiaries after a life-changing event.
- Failure to make changes in a timely manner is common.
- Making changes is typically easy

WE ARE NOT IMMORTAL, and eventually we will pass on, as will our assets. Who will be on the receiving end? Failing to update your beneficiaries after divorce, a death, a family addition, or re-marriage could have unintended consequences for those you leave behind. It can also lead to disputes and ill will among contending heirs. And it's not an uncommon oversight. In fact, it is one of the most common and costly estate planning errors.

But you have updated and executed your will. That should take care of it, right? Not so. Beneficiary designations in documents governing such things as retirement accounts and insurance policies trump your will.

WHEN TO CHECK AND CHANGE

Wills and trusts need to be reviewed periodically to ensure they are current with how you want your assets distributed upon your death, but your retirement plans like traditional and Roth IRAs and SEPs for self-employed individuals, life insurance policies and annuities, and employer-sponsored retirement plans like 401(k)s and pensions — all require you to name beneficiaries. Even bank accounts come into play.

Consider the unintended consequences of not updating your beneficiaries after a life-changing event:

- **Divorce:** After a divorce, many IRA or retirement account owners forget or neglect to update the beneficiary designation, even if it was agreed to as part of the divorce settlement. This can create legal disputes after death resulting in your assets being

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distributed based on a court's decision. If there is no dispute, the custodian will pay the assets to the beneficiary on record, whoever that is.

- **Death of a spouse or one of your beneficiaries:** Failure to update your primary and contingent beneficiaries after a death leaves those assets open to legal disputes.
- **Re-marriage:** After you re-marry, you will likely want to change beneficiaries on your accounts to ensure your designations match what you want to happen to your assets. Re-marriage often means bringing two families together and the resulting blended assets. It's important for both spouses to review their designations to ensure their combined assets will be distributed as they wish.
- **Birth:** If you name your children as beneficiaries, or contingent beneficiaries, you'll need to update your accounts to include the new child.

HOW TO CHECK AND CHANGE

Today you can usually check and change designations online, although paper forms are still required in some situations. It's not always easy to find where that information is kept and by whom. If you have an employer-sponsored plan, such as a 401(k), 403 (b), 457, or pension, you can just log into your account, click on "beneficiary designations," make your changes and "save." Note that federal law stipulates that your spouse is automatically the primary beneficiary of an employer-sponsored retirement account, unless your spouse signs a waiver allowing you to name someone else.

Some life insurance policies are easy to review and change, though group plans such as those provided by employers might require you to make changes through your employer. Investment portfolios typically contain IRAs and other retirement plan savings. Your investment advisor can help you identify which investments have beneficiaries, and review and make changes. You will likely need in-person meetings with your bank should you need to add a "payable on death" or "transfer on death" provision. And of course, estate planning is an excellent opportunity to review all those designations to ensure they are up-to-date.

Even without a major life-changing event, it's advisable to check your accounts that name beneficiaries periodically. Ensuring your designations are consistent with your intentions and estate planning documents will keep the assets you pass along out of the hands of a probate court, and, not insignificantly, avoid unseemly personal disputes among your heirs.

If you have questions or concerns about your beneficiary designations, we're here to help. Call your HBKS advisor, or contact me at (866) 479-5522

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