

Beneficiary Designations - Your Will Is Not Enough

Once you finalize your Will, you should also review and possibly change the beneficiary designations on certain types of accounts that will pass to your heirs “outside your Will.” **(This means that your Will does not usually govern what happens to these assets.)**

Often these accounts represent a very substantial part of your estate and if the beneficiary designations are not brought up to date when life circumstances change, “disorder” or an unintentional “disaster” could occur after you die.

Examples of assets that pass directly to named beneficiaries regardless of one’s Will are:

Life Insurance

Life insurance will be paid to the person who is named the beneficiary in the policy. Be certain to update the beneficiaries of your life insurance when circumstances change such as marriage, birth of a child, death of a parent or a spouse, and divorce.

Do not procrastinate! Do not leave your life insurance to an unintended beneficiary thereby leaving your loved one without the protection they need.

Pension Plans and Deferred Annuities

This includes 401(k) plans, IRA (Individual Retirement Accounts), Annuity products, etc. These types of accounts always have a named beneficiary. (Although usually not advisable, in some circumstances, a person’s Estate may be the named beneficiary.)

Again, if your circumstances change, do not delay making changes to the beneficiaries of these accounts. Determine with your attorney, your accountant, your financial planner and your family who would be the best beneficiary(s).

Tax rules related to retirement accounts are complex and the law includes a number of incentives that favor certain beneficiaries over other beneficiaries. Charitable giving should also be considered in this area.

Payable on Death/Transfer on Death Accounts

Consider carefully when you designate POD/TOD beneficiaries for investment/bank accounts. As the balances in these accounts change, what was once an even division among heirs could become uneven.

Titled Property

This category includes real estate and motor vehicles. Thoughtfully discuss with the attorney drafting your Will the optimum way to title these assets so that they will transfer properly to your intended heirs with a minimum of cost.

Using a Trust

If your assets are diverse and “substantial” enough, you should consider establishing a revocable trust. Assets are transferred to the trust either before your death or by exercise of your Will. The trust then determines what happens to them after your death. (The trust will become irrevocable at your death.)

Using a revocable trust provides maximum flexibility. A trust can provide for and protect a variety of beneficiaries. A revocable trust can be amended and changed more readily than changing the designated beneficiary of individual assets.

However, even with a trust, there are certain assets that should be retained outside the trust. This requires detailed planning with your attorney and tax advisor.

Want to include ICS in your estate plans? If you are interested in learning more about giving to ICS after your lifetime, contact the ICS Development Department. As always, consult with your personal tax and estate advisors before making any changes. The technical information in this article is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation. Please be advised that, based on current IRS rules and standards, the advice outlined above is not intended to be used, nor can it be used, for the avoidance of any tax penalty assessed by the IRS.

(Article by Eileen Lamse, CPA, Hammel, Beal & Lauer, PC)

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