Annual beneficiary audits: as important as a will

November 20, 2018

Many investors assume a will dictates where their assets will go. But without properly designated beneficiaries, investors may not reach their legacy goals.

A beneficiary audit is a simple but often overlooked estate planning tool for the successful transfer of assets to the desired beneficiaries while minimizing tax consequences.

Here's why it's important to do an annual beneficiary audit:

It helps achieve goals. Doing an annual audit helps investors achieve a wide range of legacy goals quickly, easily and at virtually no cost.

It reassesses beneficiaries. Things change, and so might an investor's beneficiaries. An annual assessment will make sure the beneficiaries reflect current circumstances and wishes.

Resources for financial advisors
Use this Conversation Toolkit to discuss beneficiary audits with your clients.

- Email the pre-meeting overview to your clients.
- Print the meeting worksheet (login required) and review it together.
- Share the white paper with your clients' CPAs, tax advisors and attorneys for more in-depth discussions.

Abram Claude
Vice President, Value-Add Programs

It can increase the value of a legacy. An audit can help align certain types of accounts with the needs and tax situations of the beneficiaries designated on the account.

It's specific. The audit includes the beneficiaries on qualified and nonqualified retirement plans, stock compensation plans, investment accounts and life insurance policies.

Many investors mistakenly believe that an up-to-date will is enough.

A will is important, but it doesn't override beneficiary designations on retirement plans, IRAs, annuities, life insurance policies or brokerage accounts. In some cases, federal and state laws may govern the choice of primary beneficiary on these accounts — often a spouse unless he or she has provided a written waiver.

These prescribed beneficiary designations can help heirs avoid probate of these assets, so funds can be transferred immediately. But if someone experiences changes in their personal life and doesn't designate new beneficiaries to align with these changes, problems can arise.

Everyone should audit their designated beneficiaries on a regular basis, but it's particularly important for those who:

- Have multiple accounts
- Are age 50 or older
- Have recently married
- Have recently lost their partner due to death or divorce
- Have recently added a child or grandchild through birth, adoption or marriage

Bottom line

A will may not be enough to ensure that assets are distributed as an individual wishes. Unexpected legal and tax issues can arise if beneficiary designations are inconsistent with a will. When it comes to achieving legacy goals, doing a comprehensive annual beneficiary audit is crucial to maintaining accurate, up-to-date designations across multiple accounts.

To find out more, call 800.426.3750
or visit columbiathreadneedle.com

COLUMBIA THREADNEEDLE INVESTMENTS

Not FDIC insured • No bank guarantee • May lose value

Securities products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services provided by Columbia Management Investment Advisers, LLC.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

CTBPK83L (12/19) 2856766