

COMPLETING AN ANNUAL BENEFICIARY AUDIT

What to know before your meeting

One of the simplest and most overlooked estate planning tools is an audit of the beneficiaries on your qualified and nonqualified retirement plans, stock compensation plans, investment accounts and life insurance policies. Guided by some basic principles, you can achieve a range of legacy goals quickly, easily and at virtually no cost. The key is making sure the beneficiaries you have chosen accurately reflect your current circumstances and legacy wishes. What's more, by aligning certain types of accounts with the needs and tax situations of the beneficiaries designated on the account, you may be able to increase the value of your legacy to the recipients. Working with your financial advisor, you can undertake a process that will help add to your peace of mind by helping to ensure that you achieve important legacy goals.

Many investors mistakenly believe that an up-to-date will can ensure the desired disposition of their assets. Generally, however, a will does not override beneficiary designations on retirement plans and IRAs, annuity and life insurance policies or brokerage accounts. In some cases, federal and state laws may govern the choice of primary beneficiary on your accounts — often requiring you to name your spouse unless he or she provides a written waiver. You may also elect to pass on brokerage assets by selecting the “Transfer on Death” registration on your account form.

The good news is these prescribed beneficiary designations can help your heirs avoid probate of these assets, so funds can be transferred immediately. Problems may well arise, however, if you have experienced changes in your personal life and have not executed new beneficiary designations.

Questions to review before your meeting

Q: How will I know whether my beneficiaries are aligned according to my wishes?

A: You and your financial advisor can inventory your assets, determine the current beneficiary designations and make sure they correspond with your current goals and preferences.

Q: Should I consider the financial and tax circumstances of each of my beneficiaries when assigning my assets?

A: Yes, by carefully aligning assets and beneficiaries, you may be able to transfer your assets in a more tax-efficient manner. Be sure to discuss an asset alignment strategy with your tax advisor.

Q: Are there other conditions or stipulations that may be applied to beneficiary designations?

A: This is a complicated question and is dependent on the terms of your investment documentation. Issues to consider include the following: Are your investments subject to a “per stirpes” or “per capita” beneficiary succession? Should you name a contingent beneficiary? A tax or legal advisor can help you answer these questions.

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Checklist to complete before your meeting

In order to make an informed decision regarding a beneficiary audit, you and your financial advisor — working in conjunction with your tax and legal advisors — can analyze your assets and legacy goals. To prepare for this review, you will need to gather some important information:

- A list of all your retirement, life insurance and taxable brokerage accounts, and the beneficiary designations for each
- A copy of your will and/or estate plan
- Contact information for your company's benefits administrator in order to request required forms (beneficiary designations can sometimes be changed online, or you may be able to request the needed forms)
- If you feel comfortable, you may want to invite your spouse and/or beneficiaries to the meeting as well to facilitate an open discussion

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