Beneficiary designations are a critical, though often overlooked, aspect of financial review. To preserve your legacy, both emotionally and financially, take the time to carefully review and update your beneficiary designations on a regular basis. Speaking with a financial representative can be the first step in avoiding family feuds and a bad heir day.

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Investor's Update NEWSLETTER

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Seven Common Beneficiary Blunders

David A. Egelhoff was a company man. For the majority of his working career he punched the clock at Boeing, making a modest income and raising a family. Some years later, David and his wife Donna decided to get a divorce. Two months after the ink was dry on the divorce papers, David was involved in a terrible accident where he suffered major injuries and later tragically died. David had intended for his life insurance policy and his pension to go to his daughter from a previous marriage, but never got around to updating the paperwork after his divorce. As such, his ex-wife got the money and all his daughter was left with was a hefty legal bill.

This sad, yet true story is just one of the many mistakes investors make when it comes to naming beneficiaries on their financial accounts. To help you avoid these costly mistakes, here are seven common beneficiary blunders investors make.[1]

1. Forgetting to name a beneficiary. Even if you have the best of intentions, if the paperwork is missing, your beneficiary will not get paid. Without that piece of paper, your financial assets can get tied up in probate even if your relative or loved one is named in your will. Besides life insurance and retirement accounts, you should also check to see if your bank and brokerage accounts, company pension plans, annuities and 529 college plans allow you to name beneficiaries. It doesn't hurt to ask if your financial accounts allow for beneficiary designations. What does hurt is passing away and having your loved ones realize they're unable to access your hard earned money.

2. Not having a back-up beneficiary. If you've gone through the process of naming a beneficiary, it's always best to include another. Unexpected life events can unfold simultaneously, and before you know it, the money could be lost forever. For example, if your spouse passes away at the same time, your children may never see an inheritance. Likewise, if you have grandchildren, you may want to name them as secondary beneficiaries in the off chance that their parents pass away.

3. Thinking a will or trust will determine who inherits the money. The beneficiary designations of your financial accounts often trump any other estate planning document, including wills or trusts. Countless Supreme Court cases (including the one mentioned at the outset) have been fought over this precise argument, but in the end the beneficiary designations have continued to win.

4. Naming a minor as a beneficiary. It's important to know that minors are not legally allowed to control inherited funds. Furthermore, the funds cannot be distributed to the minor unless a guardian has been appointed. The guardian will then resume control over the assets, so it must be someone you trust and will have the best intentions for the minor. It's also worth noting that generally, minors will inherit the money either when they turn 18 or 21. If the prospect of a young adult inheriting a large sum of money causes you to pause for reflection, then you may want to consider other options.

5. Naming a beneficiary that receives government assistance. Depending on the size of your assets, the inheritance or life insurance payment may cause those on government assistance to lose their benefits. If you would like to name a beneficiary with special needs, it's often better to set up a special needs trust that will provide assistance without jeopardizing their much needed subsidy from the government.

6. Outdated forms. Failure to keep your documents up-to-date could result in unintentionally disinheriting your loved ones. Take the time to review beneficiary designations whenever you experience life changes - such as marriage, divorce, death of a spouse, or birth of children or grandchildren. Double check your spelling and make sure your financial institution has the most recent copy. The majority of these forms can be updated online and generally takes just a few minutes.

7. Naming only one beneficiary, thinking they will evenly distribute the money. In theory, this may seem like a good idea, especially if the beneficiary has good financial sense. But a beneficiary has no obligation to disseminate the funds evenly and legally, and could potentially keep all the money if he or she chooses. So rather than assuming your beneficiary will take care of all the details, it's always best to have your intentions carefully detailed. After all, your idea of what's fair may not be the same as your sole beneficiary.

If you have experienced any of the following, it may be time to review and update your financial account forms:

- Change in marital status
- Birth of a child or grandchild
- Death in the family
- Health problem
- Relocation
- New job or promotion

There are a lot of rules, laws and considerations you should review to ensure your financial and estate plans fulfill your objectives and maximize the benefits you pass on to your heirs. Your financial representative can help you protect what may be the most important thing of all: **your legacy.**

For more information please call.

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[1] Case Briefs, Egelhoff v. Egelhoff, Citation: 532 U.S. 141,121 S. Ct. 1322,149 L. Ed. 2d 264,2001 U.S.