

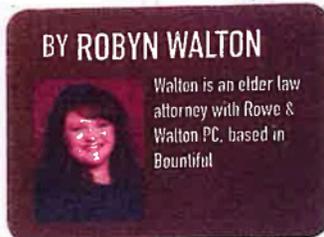
One easy financial fitness resolution that you need to make

ANSWER: A very easy financial fitness goal for the new year is to check your beneficiary designations on all of your financial accounts.

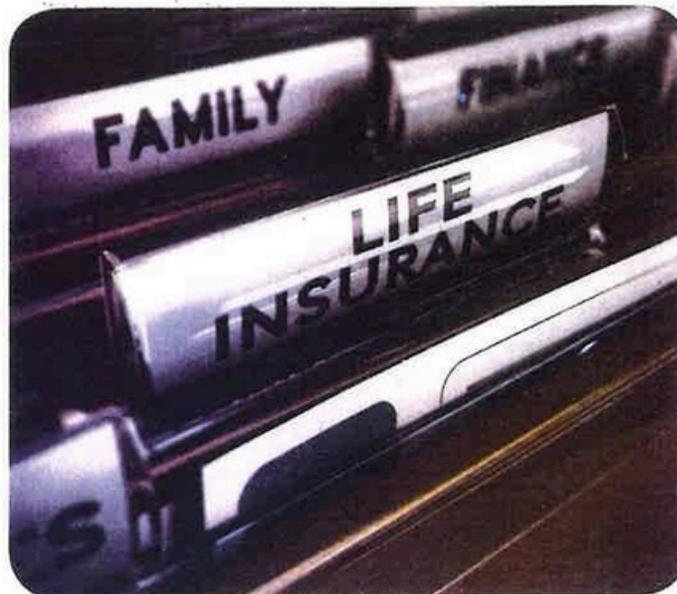
Most of us only think of beneficiaries when we set up a new bank account or when we start a new job. It is easy to accidentally skip the designation process and think “I’ll figure it out later.”

Unfortunately, if you have no beneficiary designation listed on your bank account, life insurance, investment or retirement plan, that account is likely to have to be probated when you die. Probate is a court process which determines who is entitled to control the asset and who receives the asset.

Retirement Accounts: If



you are married it is important for income tax reasons to list your spouse as your beneficiary first. On your death this means that your spouse will be able to “roll over” your retirement funds into their own account without it being taxed as a distribution (subject to required minimum distribution rules.) Even if you wanted to name someone other than your spouse as a beneficiary, federal law requires your spouse to consent in writing to naming another person. You should always name a contingent



or secondary beneficiary in the event your first beneficiary dies.

Bank Accounts, Life Insurance or Investment Accounts:

You should be able to name primary (first) and contingent (second) beneficiaries on all of

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Fitness

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these types of accounts. This is where beneficiary designations can get tricky. If you want your account to be distributed next to your children in a certain proportion, you need to carefully list the shares and include terminology about what happens to a share if a child has predeceased you.

However, be very careful. A minor or disabled child should *not* be listed as a direct beneficiary on any of these types of accounts. Such a distribution may require the appointment of a court ordered Guardian or may disqualify a disabled child from receiving government benefits (Social Security Disability and Medicaid).

The Effect of Divorce: Unbeknownst to many, a divorce does not automatically void your previous beneficiary designations

according to Federal Laws. A recent case illustrated this problem: Mike Jones divorced for 15 years recently passed away in his 50’s unexpectedly. Mike never changed the beneficiary on his group term life or 401k at work after his divorce. Mike believed this money would go to his children but the accounts were paid to the former wife named on the beneficiary form, notwithstanding a state law to the contrary. Mike’s kids will have to sue their mother to get the funds.

Naming beneficiaries is an important part of a detailed estate plan and should be determined based upon whether you have a will or a trust and the particular needs of your family’s situation.

Please seek qualified advice from an elder law attorney before making changes to your beneficiary designations.

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