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When did you last check your beneficiary designations?

One of the easiest, yet often overlooked, components of an estate planning strategy is designating beneficiaries. Those whose estate plan includes a will or trust may wonder why this step is important. Transfer of some assets — such as life insurance policies, annuities, IRAs, retirement plans, and other employee benefit plans — can be based on beneficiary designations in place at your death. As your objectives for transfer may change over time, it is important to review those designations in context of your overall plan for asset transfer.

Confirm your designations align with your estate plan

Inventory your assets and determine which can have designated beneficiaries.

Review the designations in place to make sure your preferred beneficiaries are listed for each asset. Consider choosing a successor in case your designated beneficiary does not survive you.

If changes are needed, be sure to complete each form as indicated. Requirements may vary from one financial institution to another. For example, the custodian of a retirement plan may require a spouse's signature but a life insurance carrier may not. Similarly, some institutions may require a notarized original while others may allow you to complete the designation online.

As you acquire new assets, make sure to consider establishing beneficiary designations in alignment with your estate plan.

Identify any unintended implications to your overall estate plans

While creating designations may be a clear-cut process, identifying potential tax implications for your beneficiaries may not be so easy. Your tax and legal advisors can help you review your beneficiary designations to identify any unintended impacts to your beneficiaries.

Remember that your beneficiary designation forms are one piece in the larger estate-plan puzzle you have put together. It is important to consider how those designations — which operate outside your will or trust — may impact your overall strategy. For example, if your objective is to evenly divide all of your assets among your decedents, a designation could change that balance.

Your tax advisor also can help you weigh options for transferring taxable assets. If charitably inclined, you may consider naming a tax-exempt organization as a beneficiary of a taxable asset, such as a qualified retirement plan or nonqualified stock options.

Revisit your designations

As with all documents in your estate plan, it's a good idea to review your beneficiary designations regularly. Not updating your forms to reflect life events such as a birth, death, marriage, or divorce may mean that your wishes would not be reflected when your assets ultimately transfer.

Changes in the law may also create a need to revisit your beneficiary designations. Your tax advisor can help you understand how the latest changes may impact your objectives for transfer.

Key takeaways

Make sure you take the time to thoughtfully fill out beneficiary designations for eligible assets. Also, consider regularly discussing your plans with your tax and legal advisors and wealth planning specialists. Your advisors can help you avoid expensive mistakes and suggest opportunities to better reflect your ultimate wishes for your estate.

As always, if you have any questions on this topic or any others, feel free to contact any of us at any time.

We are happy to help.

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