

Beneficiary Review Guide

Nearly 80% of beneficiary forms on individual retirement accounts, defined benefit pension plans and insurance policies are either blank, outdated or not properly filled in.

Increasingly, investors have the option of naming beneficiaries directly on a wide range of financial products. This has some obvious appeals, but there are potential pitfalls you will want to avoid.

Mistakes made when designating beneficiaries can be costly and even tragic because they impair ability to protect, preserve and pass on assets to heirs. To add insult to injury, these beneficiary designations will override the wishes put forth in a will. For this reason alone, it's important to coordinate these products with your overall estate plan.

COMMON BENEFICIARY FORM MISTAKES

Naming beneficiaries should be the easiest task when it comes to estate planning, right? Simply jot down who gets your stuff when you're gone, easy right? Unfortunately, it's not as simple as it seems. All too often, many get this simple task all wrong, much to the consternation of spouses, children and loved ones. Before you fill in your spouse's name or put your son or daughter's social security number on the dotted line, make sure you're not making any of these mistakes.

1. Assume your will is going to take care of the details.

Beneficiary designations ALWAYS trump what the will says. So make sure your documents are consistent. If you set up a trust, designate the trust as the beneficiary, not the person you named in the trust to inherit the money.

2. Subjecting your heirs to an avoidable tax bill.

Failing to name beneficiaries on your IRA robs heirs of the ability to maintain tax-advantage growth over their lifetime (via a stretch IRA.) Without a beneficiary, your IRA money will go through a probate, and your family (excluding spouses) will have to withdraw the money within five years.

3. Forgetting to update forms when life happens.

Just as bad as failing to name a beneficiary is not updating designations when beneficiaries marry, divorce, come of age, or tick you off. That's how exes and estranged sisters-in-law strike it rich.

4. Not having a plan B.

If your primary beneficiary isn't around to collect, and no secondary beneficiary is named, the court decides who gets the dough. Be exact. You can name multiple primary and secondary beneficiaries, so don't be afraid to spell out how you want your assets divided.

5. Naming minor children as beneficiaries.

Until age 18 or 21 (depending on state laws), minors can only inherit limited amounts. Designate a financial guardian or set up a trust for the kids. Either should have detailed directions on how to manage the windfall until the children are of age.

It can be very easy to catch yourself in many of these pitfalls. But it's a simple process for a qualified legal or financial professional to get you out of them.

Always consult your advisors before making any changes to your beneficiary forms.

The beneficiary wording should be absolutely clear and without question as to whom the proceeds are to be paid. Listed below are sample beneficiary designations. Please note state laws may prohibit naming certain entities and individuals as a beneficiary for retirement plans, if you live in a community property state, you should obtain the signature of your spouse if your spouse will not be named as a primary beneficiary. Community property states currently include: AZ, CA, ID, LA, NM, NV, TX, WA and WI.

To ensure the correct individual or entity receives the benefits and the intended benefit amount, please provide the following:

- The beneficiary's social security number, tax identification number and date of birth.
- Distribution of proceeds should be shown in fractions or percentages if multiple beneficiaries designated. Do not list dollar amounts as the amount of the insured' life benefit may change. If no distribution is shown, benefits will be divided equally among the living beneficiaries.

Beneficiary Examples

Scenario	Primary	Contingent	Tertiary
Spouse, Children, Grandchildren Per Stirpes, Charity	My Spouse Jim Jones (SS#) 100%	My Child Joe Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Mark Jones(SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Karen Jones (SS#) 25% if living; otherwise her lineal descendents, per stirpes. My Child Kim Brown (SS#) 25% if living; otherwise her lineal descendents, per stirpes.	My favorite charity, address, TIN
Spouse, Participant's Children, Participant's Grandchildren, Spouse's Children, Spouse's Grandchildren (Second Marriage)	My Spouse Joan Jones (SS#) 100%	My Child Joe Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Mark Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Karen Jones (SS#) 25% if living; otherwise her lineal descendents, per stirpes. My Child Kim Brown (SS#) 25% if living; otherwise her lineal descendents, per stirpes.	My spouse's child Joe Jones 50% if living; otherwise his lineal descendents, per stirpes. My Spouse's child Sue Smith (SS#) 50% if living; otherwise his lineal descendents, per stirpes.
Spouse, Unequal Distribution to Children, Grandchildren, Lineal Descendents, Charity	My Spouse Jim Jones (SS#) 100%	My Child Joe Jones (SS#) 33% if living; otherwise, 75% Joe Jones's living children, 25% to my child Kim Brown's living children. My Child Mark Jones (SS#) 33% if living; otherwise, 75% Mark Jones's living children, 25% to	My lineal descendents per stirpes; otherwise, my favorite charity, address, TIN

		<p>my child Kim Brown's living children. My Child Karen Jones (SS#) 33% if living; otherwise, 75% Joe Jones's living children, 25% to my child Kim Brown's living children. My Child Kim Brown (SS#) 1% if living; otherwise her lineal descendents, per stirpes.</p>	
Spouse, Disinherited Child with Disinherited Child's Share to His/Her Children, Per Stirpes, Charity	<p>My Spouse Joan Jones (SS#) 100%</p>	<p>My Child Joe Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Mark Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Karen Jones (SS#) 25% if living; otherwise her lineal descendents, per stirpes. My Child Kim Brown (SS#) shall be deemed to be deceased. My Child Kim Brown's (SS#) lineal descendents, per stirpes.</p>	<p>My favorite charity, address, TIN</p>
Spouse, Children With No Current Heirs, Charity	<p>My Spouse Jim Jones (SS#) 100%</p>	<p>My Child Joe Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Mark Jones(SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Karen Jones (SS#) 25% if living; otherwise her lineal descendents, per stirpes. My Child Kim Brown (SS#) 25% if living; otherwise her lineal descendents, per stirpes.</p>	<p>My favorite charity, address, TIN</p>
Spouse, Children, Grandchildren Per Stirpes, Charity (No Current Grandchildren)	<p>My Spouse Joan Jones (SS#) 100%</p>	<p>My Child Joe Jones (SS#) 25% if living; otherwise his spouse if he is married; otherwise, his lineal descendents, per stirpes. My Child Mark Jones (SS#) 25% if living; otherwise his spouse if he is married; otherwise, his lineal descendents, per stirpes. My Child Karen Jones (SS#) 25% if living; otherwise her spouse if she is married; otherwise, her lineal descendents, per stirpes. My Child Kim Brown (SS#) 25% if living; otherwise her spouse if she is married; otherwise, her lineal descendents, per stirpes.</p>	<p>My favorite charity, address, TIN</p>
Spouse, Children, One Child's Spouse if Child Deceased, Grandchildren Per Stirpes,	<p>My Spouse Jim Jones (SS#) 100%</p>	<p>My Child Joe Jones (SS#) 25% if living; otherwise, his lineal descendents, per</p>	<p>My favorite charity, address, TIN</p>

Charity (One Child Has no Children)		<p>stirpes. My Child Mark Jones (SS#) 25% if living; otherwise, his lineal descendents, per stirpes. My Child Karen Jones (SS#) 25% if living; otherwise, her lineal descendents, per stirpes. My Child Kim Brown (SS#) 25% if living; otherwise, her lineal descendents, per stirpes; otherwise her spouse if she is married.</p>	
Spouse, Other Relatives Unequally, Charities	<p>My Spouse Joan Jones (SS#) 100%</p>	<p>My sister Joanne Hughes if living (SS#) 50%. My brother Tim James if living (SS#) 25%. My brother Jacob James if living (SS#) 25%.</p>	<p>My favorite charity #1, address, TIN, 50%. My favorite charity #2, address, TIN, 50%.</p>
Spouse, Participant's Children and Her Mother, Grandchildren Per Stirpes, Charity	<p>My Spouse Jim Jones (SS#) 100%</p>	<p>My Child Joe Jones (SS#) 25% if living; otherwise, his lineal descendents, per stirpes. My Child Mark Jones (SS#) 25% if living; otherwise, his lineal descendents, per stirpes. My Child Karen Jones (SS#) 25% if living; otherwise, her lineal descendents, per stirpes. My Mother (SS#) 25% if living; otherwise my lineal descendents, per stirpes;</p>	<p>My favorite charity, address, TIN</p>
Spouse (75%) and One Child (25%), Remainder of Children, Grandchildren Per Stirpes, Charity	<p>My Spouse Joan Jones (SS#) 75% if living; otherwise my child Joe Jones (SS#) 25% if living and my child Karen Jones (SS#) 25% if living and my child Kim Brown (SS#) if living; otherwise the lineal descendents of Joe Jones, Karen Jones and Kim Brown per stirpes. My Child Mark Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes.</p>	<p>My favorite charity, address, TIN</p>	<p>My favorite charity, address, TIN</p>
Spouse, Children, Living Trust	<p>My Spouse Joan Jones (SS#) 100%</p>	<p>My Child Joe Jones (SS#) 25% if living. My Child Mark Jones (SS#) 25% if living. My Child Karen Jones (SS#) 25% if living. My Child Kim Brown (SS#) 25% if living.</p>	<p>Jim Jones Revocable Living Trust DTD 7-15-2012 and any amendments thereto.</p>
Trust FBO Spouse, Children, Grandchildren, Charity. (Second Marriage)	<p>Jim Jones Revocable Living Trust DTD 7-15-2012 and any amendments thereto.</p>	<p>My Child Joe Jones (SS#) 25% if living; otherwise his lineal descendents, per stirpes. My Child Mark Jones(SS#) 25% if living; otherwise his lineal descendents, per</p>	<p>My favorite charity, address, TIN</p>

		<p>stirpes. My Child Karen Jones (SS#) 25% if living; otherwise her lineal descendents, per stirpes. My Child Kim Brown (SS#) 25% if living; otherwise her lineal descendents, per stirpes.</p>	
Bypass Trust, Q-Tip Trust, Heirs Per Stirpes. (Second Marriage)	Jim Jones Revocable Living Trust DTD 7-15- 2012 and any amendments thereto, Article 9.	Jim Jones Revocable Living Trust DTD 7-15- 2012 and any amendments thereto, Article 10.	My lineal descendents per stirpes; otherwise, my favorite charity, address, TIN
CRT For Spouse (Second Marriage)	Jim Jones Revocable Living Trust DTD 7-15- 2012 and any amendments thereto.		
Spouse, Series of CRTs, Children. (Disclaiming CRTs For Estate Tax Planning)	My Spouse Joan Jones (SS#) 100%	Jim Jones 5 Year Charitable Remainder Trust DTD 7-15-2012; otherwise, Jim Jones 10 Year Charitable Remainder Trust DTD 7- 15-2012; otherwise, Jim Jones Children's Charitable Remainder Trust DTD 7-15-2012;	My lineal descendents per stirpes; otherwise, my favorite charity, address, TIN
Spouse, IRA Sub-Trusts, Heirs	My Spouse Jim Jones (SS#) 100%	Jim Jones Revocable Living Trust DTD 7-15- 2012 and any amendments thereto, Article 11 FBO Joe Jones Sub-Trust 50%, Jim Jones Revocable Living Trust DTD 7-15-2012 and any amendments thereto, Article 11 FBO Mark Jones Sub-Trust 50%.	My lineal descendents per stirpes; otherwise, my favorite charity, address, TIN