

The Importance of Beneficiary Review

With the ever-changing landscape of taxes, it is growing increasingly difficult to understand how legislation affects clients and could possibly impact their financial future. As a leader in the financial services industry for over 30 years, we get it. That's why HD Vest Financial Services® is constantly seeking ways to share the latest knowledge we acquire with you. We've created the Taxes & Investments: Timely and Timeless Strategies Series to share timely information and provide our Advisors and their clients with practical information and ideas they can build on.

A comprehensive beneficiary review is a simple way to ensure that assets go to exactly whom an individual wishes. Without a comprehensive beneficiary review, an individual may be leaving assets to those they did not intend or no one at all. To ensure the right people have been named and all the necessary information has been provided, a beneficiary review of all accounts should be performed regularly.

Accounts with listed beneficiaries will be paid out according to the listed beneficiary designations, even if an individual's will dictates different instructions. This fact can be particularly troubling. According to a recent article in *InvestmentNews*, about 80% of beneficiary forms on individual retirement accounts, defined benefit pension plans and insurance policies are blank, outdated or not properly filled in¹.

Where to Start:

The first step is to determine the different places a beneficiary is listed. This could include estate documents, asset accounts and insurance.

Estate documents requiring review:

- Will
- Living Trust
- All other revocable trust accounts

Accounts that require review:

- IRA, 401(k), 403(b) or other retirement accounts
- Annuities
- Pensions
- Brokerage accounts and other investment accounts
- Existing bank accounts and Certificates of Deposit

Insurance policies that require review:

- Life insurance policies
- Disability insurance policies
- Long-term care policies

This list is not all-encompassing, but it will provide a good initial checklist for individuals.

Reviewing Beneficiaries:

Once all beneficiary accounts have been identified, it is important to review all listed beneficiaries for accuracy. Things to check for:

- A primary beneficiary is named
- A contingent beneficiary is named
- Confirm that all beneficial shares add up to 100%
- Make sure all required forms have been properly completed
- Consider listing a trust as the primary or contingent beneficiary in lieu of a minor
- Consult with your HD Vest Advisor before listing your estate as a beneficiary. There may be significant disadvantages to naming an estate as beneficiary

Situations that require immediate beneficiary review:

- Death of a primary or contingent beneficiary
- Marriage, divorce or remarriage- especially if there are custodians listed in estate documents for minor children
- Birth or adoption of an additional child
- Significant changes in family dynamics

Each individual has a unique plan and unique desires for their legacy. It is important to consult an HD Vest Advisor to discuss beneficiary reviews for your particular situation. Time and life events may cause changes in assets and legacy plans, making a periodic review important. Without proper periodic reviews of your listed beneficiaries, it is possible to unintentionally harm your ability to protect, preserve and pass on assets to your heirs.

Sources:

¹Investment News, The Benefits of Beneficiary Reviews, Wednesday, July 29, 2009