



## **Your Small-Town Doctor of Financial Planning Says:**

### **Coordinate Your Beneficiary Designations**

Most of us would never intentionally leave our family a financial puzzle to solve. Yet that can happen when beneficiary designations on retirement accounts, insurance policies, bank accounts, and investment accounts are not coordinated with your will and overall estate plan. A will is important, but it does not control everything. Assets with named beneficiaries often pass directly to the people listed on those forms, even if your will says something different.

That means an outdated form can quietly undo your current wishes. A former spouse might remain on an old life insurance policy. One child might be named on an IRA while another is included only in the will. A retirement account may have no beneficiary at all, creating delay, added expense, or less favorable tax results. These are common oversights, often made by thoughtful people who assume their legal documents and account forms automatically work together.

A sound estate plan starts with coordination. Review your will, 401(k), IRA, annuities, life insurance policies, payable-on-death bank accounts, transfer-on-death investment accounts, and jointly owned property. Then ask whether they tell one consistent story. Who receives what? When? In what percentages? Are successor or contingent beneficiaries named to address what should happen in the event of a beneficiary's death or inability to receive the asset? Have you considered whether a beneficiary is a minor, has special needs, has difficulty managing money, or faces creditor, divorce, or tax concerns?

How assets should pass depends on your goals. Some may pass outright to individuals. Others may be better directed to a trust, particularly if you want oversight, protection for young beneficiaries, or control over timing. Married couples may need to balance simplicity with tax planning and asset protection. Charitably minded families may leave certain retirement assets to charity while directing other assets to heirs. Blended families often require special care to avoid unintended imbalance or conflict.

Taxes also matter. Traditional IRAs and 401(k)s can create taxable income for heirs, and inherited retirement account rules can be complicated. Life insurance proceeds are generally income-tax-free to beneficiaries, but they may still be included in your estate for estate tax purposes unless the policy is owned outside your estate, such as by a properly structured life insurance trust. Bank and brokerage accounts may avoid probate with proper titling or transfer-on-death instructions, but those instructions should still fit the overall plan. The goal is not merely to avoid probate or complete a form. The goal is to have assets pass efficiently, fairly, and in keeping with your goals and values.

Beneficiary designations should be reviewed regularly, and especially after major life events: marriage, divorce, birth or adoption of a child, death of a loved one, retirement, a job change,

purchase of life insurance, creation of a trust, or a significant change in family relationships. Keeping current beneficiary confirmations with your important estate documents can also spare your family and advisors from having to piece things together later.

Think of this as preventive care for your financial life. A careful review today may help reduce confusion, delay, and heartache for the people you love. If it has been a while since you reviewed your beneficiary designations, consider raising the topic with your financial, legal, and tax professionals as part of your regular planning conversations.



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