

Beneficiary Discussion

By Gary Case

If you own stuff, like real estate, life insurance, bank accounts, or retirement plans, you've got beneficiaries. You may have named them in your will or trust, on your insurance policy, or on your IRA or 401(k). Even if you have not named them, you still have beneficiaries as long as you own stuff. You are probably also a beneficiary to your parents' or other family member's stuff.

In any event, it's important for you as a beneficiary and to your beneficiaries to know what to do when the time comes to exercise beneficiary rights. Most of us don't spend much time thinking about what to do or how to tell our beneficiaries what to do at that time. For Example, there are time limits on transferring IRAs and other retirement accounts to "designated beneficiaries" to avoid unnecessary taxes and provide to maximum flexibility to receive distributions from these accounts (a popular term when discussing this type of transfer is "stretch IRA).

If you've named beneficiaries on the "contracts" you own (contracts are ownership documents on which you have designated beneficiaries), the assets represented by those contracts generally pass directly to your beneficiaries and are not part of your probate estate. Benefits to naming beneficiaries on contracts include saving time in determining and distributing assets, potential tax savings, and eliminating disputes among your heirs due to lack of direction from you.

You may have a will or trust that names who you want to receive your property. Assets with no named beneficiaries will pass to your heirs as you have outlined in those documents, absent disputes or challenges to your estate documents.

If you don't have estate documents, the probate court will essentially create them for you after your death. Since Idaho is a community property state, if you are married at the time of your death, your surviving spouse is generally entitled to one half of all community property and to at least one half of any separate property, with any remaining property divided among relatives according to state law. A common problem facing heirs of persons with no estate planning documents is the emotional wedges that are often driven between those heirs. In my experience, those disputes are less about money than emotional attachments—something that could have easily addressed through a will or even a letter to the heirs expressing the desires of the deceased loved one.

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