

Due to Popular Demand, We Are Rerunning The Article Beneficiary Mistakes Cost a Fortune

By: Roger Shumaker – President, Retirement and Tax Solutions

Beneficiary designations are important in determining where certain assets of an estate will end up. Many think that a will or trust is what determines where everything goes. This is not necessarily true, and it's a big mistake to make this assumption.

A last will and testament generally determines where items titled in your name will go. Items like real estate, cars, bank accounts, stocks, and bonds are included in a will. It is important to realize, though, that some assets are owned by contract rather than title, and those don't pass through your will.

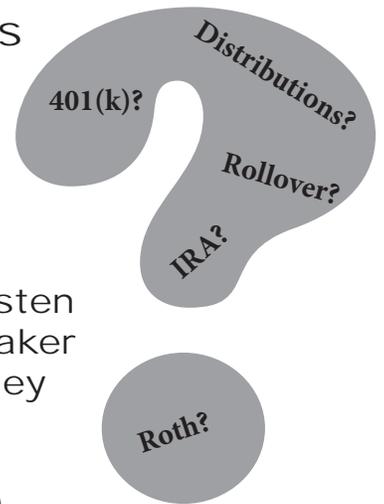
Assets that are financial contracts can be annuities, life insurance, IRAs and just about any other type of financial account. Each of these contracts may have a beneficiary designation. This designation says who you want to name to receive any proceeds at death. If your will says everything goes to cousin Susie, and your beneficiary designations say Uncle Ed, and all of your assets are in contract assets, it may all go to Uncle Ed.

Here is a real-life example. Anne, before she got married and had children, named her sister as the beneficiary on her retirement account. Later, she got married and had children, but the beneficiary designation was never changed. When Anne died in an unexpected accident, who do you think got her retirement account? Most would say her husband, but a Supreme Court ruling mandates that it goes to the sister. The court stated that, although it was probably her intent to leave the money to her husband and children, the only evidence in writing stated it should go to her sister.

Remember, forms cannot be changed after a death occurs; you get no second chance to get it right. Most attorneys often focus on what are called probate assets and don't review financial contracts outside of probate. Those are typically handled by financial professionals. This is an important area where the financial professional and the estate planning attorney need to be on

So many financial questions..

How will this affect my retirement plans?



For answers, listen to Roger Shumaker on "Senior Money Talks," 9 am Saturdays on KMAJ AM-1440.

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If you have grandchildren, another important issue is the default language on beneficiary forms. Do you know the difference between per capita and per stirpes? If not, pay attention. Mark's grandfather David had three children, Douglas, Donald and Lois. He named them as equal beneficiaries on several annuity accounts.

Unfortunately, Donald died before his father. The account was divided two ways between Douglas and Lois when David passed away. Since the default language was per capita, divided equally among surviving heads, Donald's children were entitled to nothing. If the words "per stirpes" were used when the beneficiary form was filled out, Donald's children would have gotten Donald's share.

Fortunately, in this actual situation, Douglas and Lois paid Donald's share to his children, although they were not legally obligated to do this.

We have seen 90% of families make mistakes when it comes to beneficiary forms. So this month, we have provided a 14-point checklist to help ensure the forms are filled out correctly. Go to www.RetireTopeka.com

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for a complimentary copy of The Beneficiary Form Checklist.

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