DIRECT NEWS | SUMMER 2024

Keep Your Beneficiary Choices Updated

It's important to revisit your accounts and policies that allow you to choose a beneficiary to make sure that your choices are up to date.

An up-to-date will is an important first step in ensuring that your property actually passes to the people you want to receive your assets when you die. However, it's not the only step. Retirement plan accounts, life insurance policies, and certain other assets may allow you to designate a beneficiary. But once you have named beneficiaries, you should be mindful that various life changes and events may require you to add or delete beneficiaries from your bequest. Here's what you need to know about designating beneficiaries and the situations that may require you to revisit your beneficiary choices.

Retirement Plan Accounts

Chances are you participate in an employer-provided, tax-deferred retirement plan, such as a 401(k), 403(b) or a 457 plan. Or you are using an individual retirement account (IRA) to save for retirement on your own. Whatever type of plan you have, you would have had to name a beneficiary or beneficiaries when you first opened the account. In general, married plan participants are required to name their spouse as the primary beneficiary of a qualified plan account.
An exception occurs when the spouse signs the required type of consent that waives the spouse's rights to the plan assets.

Major life events, such as a marriage, divorce, or the death of a named beneficiary, may require you to review and update your beneficiaries. Similarly, if you have a new child or grandchild that you want to name as a secondary beneficiary, you will need to update your beneficiary designations.

Your failure to keep your beneficiary designations current could have unpleasant, unintended consequences.

For example, if you name your spouse as beneficiary of your retirement plan and later divorce that spouse, your plan assets may very well go to that spouse when you die if you fail to update your beneficiary designation.

Life Insurance Policies

You are generally required to name a beneficiary or beneficiaries when you first buy a life insurance policy. The proceeds of your life insurance policy will be paid to the person or persons you named as beneficiaries in your policy -- even if you name someone else in your will to receive the proceeds of your life insurance policy.

Other Assets

There are other assets that can pass through beneficiary designations. If you bought company stock through an employee stock purchase plan, you may be able to designate a beneficiary for that stock. You may also be able to designate a beneficiary to exercise any stock options you own within a specified period after your death.

Estate planning can be a complex undertaking. The assistance of an experienced financial professional is essential if you are unsure about the best ways to pass on your assets and when to add or delete a beneficiary.

Good News! You May Be Worth More Than You Realize

You may be underestimating the value of your estate. Consider some of these assets to determine if you're better off financially than you realize.

As you write out another check to make your monthly mortgage payment or for your child's college tuition, you may not be feeling particularly flush. In fact, you may be feeling decidedly cash strapped. However, it is possible that you may be better off financially than you realize.

For starters, if you own a home, you have an asset that has the potential to increase in value and has historically helped build wealth for many people. You may have access to significant assets in the future if you are a participant in a pension or a retirement plan through work. And, if you have a sideline business or money invested in stocks, bonds, or other assets, you have assets that can generate wealth.

The reality is that your combined assets may surprise you and may constitute a significant estate. Here is a checklist that you can use to estimate just how much you might be worth and what items may be included in your estate:

- Your primary residence, a vacation home, or investment real estate
- Securities, such as stocks, bonds, mutual funds, or exchange-traded funds
- Precious metals and cryptocurrencies
- Checking and saving bank accounts as well as certificates of deposit
- Interest and dividends you are owed and have not been paid
- Employer retirement plan accounts and individual retirement accounts
- Closely held business interests
- Life insurance policies you own
- The value of certain annuities you may own
- Tangible personal property, such as autos, boats, antiques, artwork, or other collections with a high appraised value
- Any debts owed to you, and certain trust assets

The Value of Your Combined Assets

You can determine the value of your estate by adding up what it is worth and then subtracting the expense of settling it, income taxes, mortgages, and other debts. It most likely will require an appraiser to fix a value onto certain components of your estate. However, given the increased federal estate tax exemption, it is likely that only those individuals with substantial estates will have to pay federal estate taxes.

Determining your net worth every year should be a part of your overall financial and estate planning strategy. Doing so can provide you with a "big picture" view of where you stand financially. It can also help provide some peace of mind when you find yourself slightly overwhelmed by paying for day-to-day living expenses.

The input of an experienced estate planning and financial professional can be invaluable when it comes to all matters related to your estate planning.