

TAX TIPS

WHO ARE YOUR BENEFICIARIES?

It's smart to check over the beneficiary designations on all your accounts and plans periodically. The wrong name—or no name—can seriously affect your estate planning.

Consider what happens, for instance, if a pension plan lists “my wife Mary,” but there's been a divorce and the worker's new wife is named Joanne. Joanne can be left with nothing.

A man didn't name a replacement beneficiary for his wife when she died. It was planned that his insurance money would go, eventually, to the wife's children, his stepsons. But because there was no named beneficiary or contingent beneficiaries, and the stepsons were neither blood relatives nor legally adopted, the proceeds went to his siblings, as the plan directed.

Were an IRA beneficiary to die before you do and no replacement were named, the eventual heirs would have a much shorter distribution period and have to pay taxes sooner.

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