

The Importance of Beneficiary Designations

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Imagine an ex-spouse receiving the benefits of your lifelong savings... That is exactly what happened to William Kennedy upon his passing. In the case of *Kennedy Estate v. Plan Administrator for DuPont Savings and Investment Plan*¹, the court ruled that Kennedy's ex-wife rightly received the benefit of his \$400,000 retirement savings even though the divorce papers waived his ex-wife of her interest in the plan benefits. Kennedy had not updated his beneficiary documentation with the retirement plan administrator after the divorce, therefore, the assets passed to someone that he had not intended on.

Who is the beneficiary of your IRA? Your 401(K)? Your annuity or insurance policy? If you can't answer these questions without hesitation, it may be time for a beneficiary review. Most often, beneficiary decisions are made when accounts are opened, or insurance coverage is obtained. Paperwork and policies are then filed away and not thought about again.

We believe it's a good idea to review your beneficiary designations on an annual basis to ensure that they are still in line with your wishes and overall estate plan. Specifically, major life changes such as marriage, birth or adoption of a child, divorce, or death of a spouse should prompt a review. An out-of-date beneficiary designation could result in

¹ <https://www.law.cornell.edu/supct/html/07-636.ZO.html>

someone other than your intended beneficiary receiving your assets just as it did in Kennedy's case.

Another important fact to keep in mind is that your beneficiary designation supersedes your will. For example: Your intention is to split your estate equally among your three children, and you specifically state this in your will. At the time, your oldest child is the only primary beneficiary named on the account. Only the child listed will receive the IRA assets.

Finally, when reviewing beneficiary designations, be sure to consider both your primary and secondary beneficiaries. Should your primary beneficiary predecease you, your secondary beneficiary is in line to receive your assets.

Please do not hesitate to contact us if you have any questions regarding beneficiary designations or if you would like to review the beneficiaries named on your accounts managed by McCarthy Grittinger Financial Group.

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