



Adjust Beneficiary Designations to Fit Your Estate Plan by Ed Zerhusen

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The estate planning documents that a lawyer may prepare, such as a will or trust agreement, are but one step in an estate plan. The next step is to ensure that beneficiary designations on certain assets are designed in a way to allow the estate plan to operate as intended. This requires that you or your advisor determine the proper procedure for designation, the appropriate beneficiaries and the particular designation language.

When formulating an estate plan, you should identify those assets that will pass by beneficiary designation, and review such designation to ensure that it is coordinated with the estate plan. Beneficiary designations for each of the following types of assets should be examined and the appropriate beneficiary form obtained: life insurance, both privately owned policies and group policies provided through employment; employee retirement plans; employee stock purchase or stock option plans; deferred compensation plans; "payable on death" or "transfer on death" accounts; IRA accounts; and annuity contracts.

Once all of the assets requiring beneficiary designations are identified and the procedure for designation is known, the most appropriate beneficiaries should be determined. There are a number of categories of potential beneficiaries. Which to use will depend on your wishes for the disposition of the asset and the type of estate plan used. These categories include individual beneficiaries, class beneficiaries such as "children" or "nieces and nephews," charities, and your estate, testamentary trust or revocable "living" trust. One designation may not be appropriate for all assets. For example, designating your estate as the beneficiary of an IRA may carry adverse tax consequences. Therefore, it is important that you consider each beneficiary designation with your advisor.

After identifying the proper procedure and beneficiaries for designation, the appropriate language must be adapted to the particular situation. The following samples may prove to be useful starting points.

Estate. To the executor or administrator of my estate.

Spouse, then children. To my spouse, John Doe, or if my spouse does not survive me, in equal shares to my children, *per stirpes*.

Charity. To St. Elizabeth Foundation, One Medical Village Drive, Edgewood, Kentucky 41017, or, if such organization is not in existence at my death, to the Roman Catholic Diocese of Covington, Kentucky, 402 East 21st Street, Covington, Kentucky 41015.

Testamentary Trust. To the trustee of the John Doe Testamentary Trust.

Revocable Trust. To the trustee of the John Doe Revocable Trust dated _____, 20____, as amended.

A large portion of the assets many individuals leave to their heirs will pass in the manner directed by a beneficiary designation. Thus, you must understand the importance of your designations and keep in mind that newly acquired assets for which beneficiaries may be designated should also be coordinated with the estate plan.