

DESIGNATING BENEFICIARIES

Whether it is a CD, savings account, money market account, IRA or pension or other retirement account many individuals do not understand how the investment passes upon death and mistakes abound in naming beneficiaries. Many individuals do not remember exactly how they designated the beneficiaries on their intangible assets. You should review the beneficiary designations on all of your investments and life insurance policies to be sure that they do not have to be revised to properly achieve your goals.

Beneficiary Designation: “To my children equally”

This is a common designation for the beneficiary of an account or investment. This designation does not consider what happens to a child's portion if one of the children pre-deceases the parent. In the case of multiple beneficiaries often the language provides that the asset is to be paid equally to the surviving beneficiaries, which may not be the intent of the parent or individual.

The Fix:

The fix is the same as it is in the will or a trust. Simply add the Latin phrase “per stirpes” to the designation. “Equally to my children, per stirpes”. This phrase basically means that the grandchildren basically stand in for their deceased parent (the child of the original deceased) and that the predeceased child's share is to be divided equally among that child's children.

This also applies to individuals who are leaving assets to people other than their children. In the event the person you are devising the asset predeceases you consider whether you want their share to be distributed to their children in equal shares or to other beneficiaries.