

Wealth Notes

By Rob Wrubel

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Independent • Individualized • Investment Advice and Financial Planning

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Wealth Notes offers an insightful look at financial planning topics. This quarterly column reviews current financial planning trends and seeks to educate you about planning and investment opportunities. This column covers a wide-range of topics to help you make informed financial planning and investment decisions.

Does Danger Lurk In Your Forms?

Imagine that someone wants to give you \$100,000. They want to do it. You don't have to ask, and you don't have to lay out a sales pitch in a PowerPoint presentation. To get the money, you have one easy task. You get a simple, easy-to-find, fairly standard one-page form and have that person sign it. It will take 15 minutes.

How long would it take for you to do that? An hour? A day? Would you find ways to get it done or just keep putting it off as you do other things? What if the amount was \$1,000,000 or \$10,000,000? At some point, spending 15 minutes to get that form and get it signed will be of value to you.

Now, let's take a minute to turn that around and you are now the person with the money to give. Would you also take that 15 minutes to get a form, review it and sign it? If you do, it will make someone else's life simpler and a bit wealthier. If so, read on.

This form that we're talking about makes your wishes known and does a lot to ensure that the funds you want to give get to where you want them to go. For most of us, we know we want to have this done right but we just don't want to take time to do it. For others, we signed the forms but didn't really think too much about it and assume it's probably all OK.

The piece of paper is called a beneficiary form.

If you have an IRA, Roth IRA, 401(k), 403(b), annuity, life insurance or almost any type of retirement account you have the ability to choose a beneficiary. This is the person, people,

trust or institution that receives the funds in that account when you pass away. These accounts, these days, almost always require you to sign a form choosing your beneficiaries (just one or many). At Cascade, we cannot open a new IRA or Roth IRA without a client signing this form. If you have a 401(k) or older life insurance policy, you might not have signed a beneficiary form.

We recommend taking time to review your beneficiary forms. It won't take long and you will want to check what you have in place.

Do you have any idea what it says on any of your beneficiary forms? Those who are married or in committed relationships usually have a spouse or partner named as the primary beneficiary. If one person dies, the other gets the rights to those funds (less any taxes in some cases). Often, but not always, people include a contingent beneficiary on the form which says who gets the account value, life proceeds or other assets, in the case the first beneficiary no longer lives.

There are a few important items to think about when reviewing your form and considering whether or not you should make any changes. Ideally, you consult with your estate planning attorney before initiating changes but you can go ahead on your own as well.

Here are a few tips and ideas:

Did you have a major life change? Those who have been divorced or widowed likely have changes to make. People who get divorced often change the beneficiaries to benefit their children, if they have any, or other family

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members. Sometimes you cannot change the beneficiary of a life insurance policy for a few years as the divorce decree might spell out that it needs to be used to fund maintenance payments. After maintenance ends, you are likely free to change the beneficiary form, but did you?

Did your financial life change? If you have more money now than when you made your initial elections, it's possible you will want to rework your designations. Many of our clients donate money to local charities as well as religious and educational institutions. You might want to include charitable beneficiaries or a donor advised fund in your documents. Some people carve out a charitable share, maybe one-third or one-tenth of their accounts and you can do it with a change to the beneficiary form.

Have your heirs' lives changed? It's possible someone has become disabled and his or her government benefits could depend on their level of assets. If so, you will want to direct money to a certain kind of trust. Your heirs' lives might have changed for the better or worse in other ways that dictate how much you want to leave to them and how you wish to do it. If one family member was an early employee at Google or Facebook, she might not need that inheritance from you.

Have you been with the same employer for a long time? Retirement plans at work, in the past, did not often ask for you to fill out a beneficiary form. Now, as enrollment in these programs happens online, it's more common to get a screen that asks if you at least want to

choose a beneficiary. If you've been in the same job or with the same company, it's likely you don't even have someone designated. Go online to your company's retirement plan website and see what is there. If nothing, get the form to add people. If it's OK, then good work.

Changes to your estate plan. If you've updated your estate plan, then make sure your beneficiary designations match your new planning. Some people add trusts to their estate plans. If so, make sure your attorney gives you specific instructions on how to change your beneficiary forms. Retirement accounts are not always great trust-funding mechanisms and it's possible the beneficiaries will remain individuals. In other cases, all funds go to the trusts to exclude or protect those individuals. Make sure we are in the loop on any estate planning updates.

It cannot be denied – some of the building blocks of financial and legal planning are dull. Sifting through old term insurance files and talking to us about your IRA beneficiary designation will never be as exciting as, well, just about anything. It is important work and with just a few minutes of conversation with us you can make sure your wishes are written in such a way that your family and community is cared for. You can even just bring in all the documents you have and we can sift through them together so you have it all written down in one place.

Take some time now to review the choices you've made. It will help provide some peace-of-mind to you and a lasting benefit to your loved ones.



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