

Beneficiary Designation Review Guide

Why reviewing beneficiary designations is critical and how outdated designations can undo your entire plan.

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Why Beneficiary Designations Matter

Beneficiary designations override your will and your trust. No matter what your estate plan says, the beneficiary named on a retirement account, life insurance policy, or payable-on-death account receives those assets directly — bypassing probate, bypassing the trust, and bypassing your stated wishes in every other document.

A single outdated beneficiary designation can undo years of careful estate planning. If your ex-spouse is still named as beneficiary on your \$1 million life insurance policy, they will receive it — regardless of what your trust, your will, or your current spouse says.

Assets Controlled by Beneficiary Designations

- 401(k) and 403(b) plans
- Individual Retirement Accounts (IRAs)
- Pension and profit-sharing plans
- Life insurance policies

- Annuities
- Health Savings Accounts (HSAs)
- Payable-on-death (POD) bank accounts
- Transfer-on-death (TOD) brokerage accounts

These assets represent a significant portion of most people's wealth. For many families, retirement accounts and life insurance are the **largest** assets in the estate.

Common Beneficiary Mistakes

Mistake 1: Naming a minor child directly

Minors cannot legally receive assets. If a minor is the beneficiary, the court appoints a guardian to manage the funds — a process you did not choose and cannot control. Name a trust as beneficiary instead.

Mistake 2: Failing to name contingent beneficiaries

If your primary beneficiary predeceases you and there is no contingent beneficiary, the asset passes through probate or to the estate — defeating the purpose of the designation.

Mistake 3: Naming your estate as beneficiary

This forces the asset through probate and may eliminate the tax-deferred growth available to individual beneficiaries of retirement accounts.

Mistake 4: Not updating after divorce

Many states have laws that automatically revoke a former spouse's beneficiary designation upon divorce, but these laws vary and do not cover all account types. Never rely on automatic revocation — always update manually.

Coordinating Designations with Your Trust

For many clients, the correct approach is to name the living trust as the beneficiary of life insurance and certain financial accounts. This ensures the assets flow through the trust's distribution provisions, providing control over timing, conditions, and asset protection.

However, naming a trust as beneficiary of a retirement account (IRA, 401k) has complex tax implications under the SECURE Act. Certain trusts qualify as 'see-through' trusts that can use the 10-year distribution rule, while others may accelerate taxation. This decision requires professional guidance.

The Annual Review Process

Review all beneficiary designations at least once per year and after any major life event: marriage, divorce, birth, death, or significant asset change. Create a master list of every account with a beneficiary designation, including the current primary and contingent beneficiaries, and store it with your estate planning documents.

Ready to Protect Your Legacy?

Schedule a complimentary strategy session with our advisory team.

During your consultation, we will:

- Review your current estate structure and identify gaps
- Discuss your family, business, and wealth protection goals
 - Outline a custom strategy tailored to your situation
 - Provide clear pricing with no hidden fees

No obligation. No pressure. Just clarity.

→ **BOOK YOUR COMPLIMENTARY CONSULTATION**

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Who This Is For:

Entrepreneurs, business owners, medical professionals, real estate investors, high-net-worth families, and anyone serious about protecting what they've built and ensuring a lasting legacy.

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