

## *Financially Speaking*

With Trisha Arndt

### Have you checked your beneficiary designations lately?

It is the nature of wealth management that I run across some very unique financial situations – including some true horror stories. Sadly, most of these misfortunes could have been avoided.

In one recent situation, the lack of a will and an insufficient beneficiary designation turned into an expensive mess that will ultimately result in assets going to several distant relatives she had never met rather than anyone that was meaningful in her life.

In March 2000, an Alabama man (we'll call him John Smith) succumbed to a prolonged illness in his home state. He left everything to his daughter (Jane), his only surviving family member. His assets consisted of his home, some small life insurance policies and a good-sized Individual Retirement Account.

His daughter was listed as beneficiary on the life insurance and IRA, and he left a will giving her the home. Sounds like everything should go smoothly right?

Ten days after her father's passing, Jane was involved in an automobile accident and died on the scene.

She was divorced and, like her father, had no other immediate surviving family. She also owned a home and had some life insurance and a retirement plan. She had no will.

Guess who was listed as the only beneficiary on her life insurance and retirement plan?

That's right. Her father.

To complicate matters even further, Jane was a resident of another state, Georgia, and had not had an opportunity to transfer any of her father's assets to her name.

Almost three years later, my client, a Wisconsin resident, received a call from the Georgia Probate Court. It seems that he, a distant cousin of Jane, is among a group that makes up her closest living relatives, and therefore her legal heirs. He agreed to represent the group and become estate executor – a decision I think he regrets today.

The numerous problems and road blocks along the way have made it so that six years after their passing the estates of John and Jane Smith are still not settled.

Now an attorney in Colorado who makes his living by combing obituaries and court notices for just such situations – the modern-day equivalent of an ambulance-chaser, I guess – has inserted himself into the situation.

By the time everything is finalized, it appears that over 50% of the combined estates will go to taxes and the attorneys involved.

Most of this could have been avoided if Jane had named a contingent beneficiary – a person or entity who would receive her assets in the event that her primary beneficiary was no longer living – on her accounts and in a will.

It is amazing to me how often I meet with people and find that they do not have even a basic will. Many are unsure of who is listed as the beneficiary on their retirement accounts and life insurance, and even fewer have thought as far as listing a contingent beneficiary

This was obviously an extreme situation, but it's the common, routine ones that can most often cause trouble.

Many problems are the result of people failing to update things when a life change occurs. I can't tell you how many times I have seen or heard of life insurance and/or retirement accounts going to an ex-spouse because the beneficiary designations were never updated. Or everything going to one child because additional children were not added as they were born.

An associate of mine recently dealt with a situation where a lady passed away after 39 years of employment with a single employer and 37 years of marriage. Her million dollar plus retirement plan balance still carried her original beneficiary designation – her sister. It was not a marital property state and her husband got nothing.

In my opinion everyone should have at least a basic will and list both a primary and contingent beneficiary on all life insurance and retirement accounts. But even that can all be for naught if you fail to periodically review it.

And it's not enough to just update your will, because life insurance and retirement accounts almost always are paid directly to the beneficiary listed, even if the will says something different.

Many of us have a hard time dealing with our own mortality, and I can't say that it is a favorite topic of mine. But I have seen too many cases where the deceased party's assets were disbursed in a way that was most certainly not their wish to not overcome my squeamishness and make sure that my family is taken care of if something happens to me. After all, I want to direct how things are handled, not leave it up to some impersonal court.

If you have a question that you would like answered or a suggestion for a topic that you would like to see in a future issue, e-mail [trisha@weathlstrategies.biz](mailto:trisha@weathlstrategies.biz). *Trisha Arndt is president of Wealth Strategies of Wisconsin Ltd, 535 Half Mile Road, Ste 5B, Verona, 848-2400. Securities and Investment Advisory Services offered through Commonwealth Financial Network, member NASD/SIPC, a registered investment advisor*