

Estate Planning Pitfall

You Haven't Coordinated Beneficiary Designations With Your Will

Perhaps you drafted your will years ago and it references many of your existing assets, including retirement plan accounts and life insurance policies. But you also have paperwork on file with the applicable financial institutions. And you might have recently modified your beneficiary designations on those financial documents to reflect certain life events, such as births, deaths and divorces, but failed to make the updates to your will.

Under these circumstances, you're now in a position where your will says one thing and your retirement plan and life insurance documents say another regarding beneficiaries. So which controls?

For starters, the beneficiary designations listed in your retirement plan and life insurance documents supersede what's stated in your will. But that doesn't mean that a conflict can't lead to confusion and family turmoil. In the worst-case scenario, one party might mount a legal challenge.

What's more, you may not be laying a foundation for the eventual results you intended. It's easy to slip up or forget to change vital information.

However, you can avoid problems by staying on top of matters. Coordinate your will with other legally binding documents. If you decide to modify your will, keep the specifics about retirement plans and life insurance policies to a minimum or omit them entirely.

At the same time, update your retirement plan and life insurance documents to accommodate your changing circumstances. For instance, you might revise the language if you've welcomed a new child or grandchild into the world or if your adult child has divorced and remarried.

Finally, this is not a one-and-done proposition. Review the documents periodically to ensure they remain up-to-date.

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