

BENEFICIARY DESIGNATIONS

It's crucial to review and update beneficiary designations for various accounts and policies to ensure your assets are distributed according to your wishes. Significant life events like marriage, divorce, or the birth of a child often necessitate these changes, and regular reviews are recommended to reflect your current circumstances.

Estate Tax Exemption

The federal estate tax exemption is \$13.61million for 2024, but this is a temporary increase and is scheduled to revert to a lower amount after 2025, according to financial websites.

Secure Act 2.0:

This legislation allows for naming a special needs trust as a beneficiary, offering potential benefits for individuals with disabilities.

TaxRelief:

The IRS has provided relief for certain IRA beneficiaries who failed to take required minimum distributions (RMDs) in previous years, including 2024.

Required Amendments :

There are no required amendments to beneficiary designations on the 2024 IRS required amendments list.

Accounts to Review:

- **Retirement accounts (401(k)s, IRAs, Roth IRAs)**
- Life insurance policies
- Annuities
- Bank accounts (checking, savings, CDs)
- 529collegesavingsplans
- Brokerage accounts
- Employer-sponsoredbenefits (e.g., group life insurance)
- USsavingsbonds

Why Review and Update?

- **Ensure assets go to the intended beneficiaries:**

Avoid unintended consequences like assets going to an ex-spouse after a divorce

Avoid Probate

Beneficiary designations can help assets pass directly to beneficiaries without going through probate.

Consider tax implications:

Properly designating beneficiaries can minimize estate and income taxes.

Reflect current circumstances:

Life events like marriage, divorce, birth of a child, or changes in financial situations should trigger a review of your designations.

Stay informed about tax laws:

Changes in tax laws, such as the SECURE Act 2.0, may create new opportunities for beneficiary designations.

Recommendations:

Consult with a financial advisor or estate planning professional:

They can help you navigate the complexities of beneficiary designations and ensure your plan is aligned with your goals.

Regularly review your beneficiary designations:

At least annually, and more frequently after major life events.

Keep beneficiary information up-to-date:

Make sure your contact information and the information for your beneficiaries is accurate.

beneficiary designations for federal programs like SGLI (Service members' Group Life Insurance).

However, state laws can influence how beneficiary

State legislation can impact beneficiary designations, particularly in the context of divorce and certain types of accounts like retirement plans and life insurance. Generally, state laws can't override federal laws that govern designations are handled in other situations, such as in divorce cases where a spouse may be automatically removed as a beneficiary.

1. Divorce and Beneficiary Designations:

In numerous states, a divorce automatically cancels a spouse's designation as a beneficiary on life insurance policies, retirement accounts, and other assets.

However, this automatic cancellation does not always extend to federal programs such as SGLI, where the named beneficiary, even if an ex-spouse, may still be eligible for the benefits.

For instance, Florida law states that a divorce revokes a spouse's beneficiary status unless the policyholder reconfirms the designation after the divorce or the divorce documents indicate otherwise.

2. Transfer on Death (TOD) and Payable on Death (POD) Accounts:

TOD and **POD** designations allow for the transfer of assets like bank accounts and investment accounts to beneficiaries upon the owner's death.

State laws can affect how these designations are handled, particularly regarding the transfer process and any required documentation.

Florida law, for instance, has specific provisions regarding the registration of securities in beneficiary form and how these designations can be changed or canceled.

3 Power of Attorney and Beneficiary Changes:

- A Power of Attorney (POA) can grant an agent the authority to act on behalf of a principal, including making financial decisions.
- However, a general POA typically doesn't allow the agent to change beneficiary designations unless explicitly stated in the document,
- If a principal is incompetent, a court-appointed guardian may be required to change beneficiary designations, and they may need a specific court order to do so.
- In some states, there may be requirements for listing a spouse as a beneficiary or obtaining their consent to designate someone else

- **Other Considerations;**

State laws can also address issues like insurable interest (the beneficiary's interest in the policyholder's life) and the appointment of guardians for minor beneficiaries, according to Ewusiak Law.

State laws can also impact how beneficiary designations are contested, such as through claims of undue influence or fraud.

In conclusion, while federal laws often govern beneficiary designations for certain types of assets, state laws can play a significant role in how these designations are handled, particularly in areas like divorce, TOD/POD accounts, and the powers granted under a POA.