

## Review regularly

It's important to review and update your beneficiary designations on an annual basis, along with your will, revocable living trusts and other estate documents. Revisions may be needed as a result of:

- A change in marital status.
- Birth of a child or grandchild.
- A child reaching adulthood.
- Changes in the value of your assets.
- Acquisition of new assets by gift or inheritance.
- Giving away or selling assets with beneficiary designations.
- Death of a beneficiary.
- Changes in the needs of your beneficiaries.
- Your decision to make additional bequests, such as to a favorite charity.

Don't assume that banks, insurance companies and other financial services organizations have up-to-date information



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*This code provides additional information to assist you in your planning or to share with your advisors.*

on your beneficiaries. Verify the beneficiary information matches what you have on file.

Remember that you need to coordinate will bequests and revocable living trust distributions with assets that pass outside a will, especially life insurance and retirement accounts, which may make up the bulk of an estate.

## The charitable aspect

Estate planning advisors have been telling clients for many years that IRAs are the very best thing to leave to charitable organizations in their estate plans. A combination of state and federal estate taxes, income taxes and even generation-skipping transfer tax can deeply erode the retirement accounts, leaving little remaining for heirs.

A more satisfying option might be to leave the retirement account to charity and preserve all of the funds free from tax. Here are some ways to designate us as a beneficiary of your estate:

- **Retirement plans.** Naming us as beneficiary of part or all of a retirement account can save income taxes, estate taxes or both. Simply ask the custodian or trustee of your account for a new beneficiary form.
- **Financial accounts.** People who have financial accounts generally may direct that their deposits (checking, savings, share accounts, certificates of deposit) be paid on death (POD) to a particular individual—or to a charitable organization.

■ **Brokerage accounts.** If you own stocks, bonds or mutual fund shares in brokerage accounts, it is possible to name us as TOD (transfer on death) beneficiary. Check with your broker.

■ **Life insurance.** One of the easiest and most cost-effective ways to include us in your estate plans is through life insurance. For example, you might make us the beneficiary or alternative beneficiary of a policy that is no longer needed for family security. Simply ask the insurance company for the forms necessary to change the beneficiary or to transfer ownership of the policy to our name. Keep in mind that we can be the beneficiary of just part of a policy (50%, for example) and that gifts from group life or term policies are possible.

■ **Donor advised funds.** Those who contribute to donor advised funds often may designate one or more charities to receive any balances remaining in their accounts at death. Those companies with charitable gift funds permit such designations, subject to terms of the fund agreements, and community foundations and other donor advised fund sponsors often have similar arrangements. Check with your account manager for details and the necessary forms.

■ **U.S. savings bonds.** It is not possible under Treasury regulations to name organizations as either joint owners or death beneficiaries of savings bonds. However, bonds can be left to us in a will or through a revocable living trust as

long as the bonds do not have a surviving joint owner or death beneficiary. It is also possible to leave bonds to a trust that will pay income for life to a family member, with an eventual gift to us.

## Learn more

What will be your legacy to the next generation? We would be pleased to discuss how your goals and ideals can be blended through estate planning into a gift that continues your support, memorializes your own life and provides lasting satisfaction.



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TIPS AND TRAPS  
WHEN NAMING  
Your Beneficiaries

**W**ills and revocable living trusts are vital planning tools. However, it's likely a large part of your estate will pass through beneficiary designations you have for life insurance policies, financial accounts, IRAs and other arrangements. This information is designed to help you coordinate these with your will, living trust and other assets into an overall estate plan that accomplishes your goals and objectives.

## The basics

When you purchased life insurance or enrolled in a qualified retirement plan or IRA, you were asked to fill out forms naming one or more people who would receive payments after your lifetime. These are your **beneficiaries**.

It's possible to name beneficiaries for just about every financial arrangement, including savings and checking accounts, U.S. savings bonds and certificates of deposit. These are commonly referred to as payable on death (POD) accounts. Securities held in brokerage accounts generally can be distributed to beneficiaries under transfer on death (TOD) registrations.

People typically name spouses, friends, family members or charitable organizations as their beneficiaries. If you fail to name beneficiaries on life insurance, securities or financial accounts, these assets will pass according to your will or according to state intestacy law if you have no will.

## Planning for contingencies

What would happen if a beneficiary you have named is deceased when you pass away? It's a good idea to provide that contingent beneficiaries or an alternative beneficiary, such as a charity, will receive benefits that would have passed to the deceased person. Pre-planning for contingencies provides greater certainty.

## Watch out for taxes

Some assets, especially retirement accounts and U.S. savings bonds, create income tax burdens for heirs. It's wise to get professional advice when naming beneficiaries of retirement accounts, which are usually subject to federal and perhaps state income taxes, depending on where your beneficiary resides.

People who own IRAs and other retirement accounts are often surprised to learn a significant portion of their accounts can be lost to taxes at their deaths. A combination of estate taxes and income taxes can erode your savings, leaving little remaining for your heirs.

The *SECURE Act (Setting Every Community Up for Retirement Enhancement)*, passed in late 2019, included a provision that eliminated

the "stretch IRA" for most beneficiaries. Previously, a younger family member could be named beneficiary of an IRA and take distributions in smaller annual amounts over their life expectancy.

The stretch IRA is now available only for surviving spouses and beneficiaries who are disabled, chronically ill or not more than 10 years younger than the IRA owner. Minor children of the IRA owner are also an exception, although once the child reaches the age of majority, remaining benefits must be taken within 10 years. A non-spouse generally must distribute the entire IRA within 10 years, which may result in higher income taxes.

Instead, you can leave a charity part or all of an IRA and completely avoid taxes on amounts received. Simply contact the administrator of your IRA for a new beneficiary form. See the box "Steps to take" for more information.

## Planning for those with special needs

What if some of your beneficiaries (or contingent beneficiaries) have special needs and may need to qualify for government benefits?

Government funding typically is not available for such items as over-the-counter medications, transportation costs to visit family members, reading material and even toiletries. Parents generally take care of these items while they are alive but worry about what will happen after their lifetimes.

Estate planners often suggest such parents establish a special needs trust that will benefit a son or daughter but safeguard qualification for government assistance. Leaving even modest amounts outside of a trust might result in loss of government benefits.

A special needs trust typically would allow the trustee discretion to provide nonessential services and items to the child, such as piano lessons or recreational equipment. These trusts must be carefully drafted to comply with state law—and funded directly with life insurance or other assets.

A professional or corporate trustee, such as an attorney or bank trust department, can offer important expertise and experience in managing and investing trust assets and complying with state and federal laws.

## Give each a slice of everything?

If your goal is to treat all beneficiaries (children, for example) the same, consider leaving each of them a percentage of each and every asset in your estate. That way each would share the burden of taxable assets, such as savings bonds and retirement accounts, as well as the risks that certain assets may rise or fall in value.

The ups and downs of the stock market need to be taken into account when considering how your estate will be distributed. Leaving a stock portfolio to one could be a windfall during a bull market or cause the beneficiary to be squeezed out of their appropriate share if values decline.

State laws can affect what beneficiaries receive. For example, life insurance and retirement plan benefits generally pass outside probate. If the will directs that estate administration expenses and taxes are to be paid by the estate, the child receiving probate assets may pay tax on assets passing to siblings outside probate. A better option may be to have children share all estate assets equally.

These may seem like technicalities, but they can spoil your planning. Check with your advisors to determine if your estate plan takes taxes and other state and federal laws into account.

## Steps to take

It's important to review your beneficiaries from time to time. If you would like to make a change, most financial institutions have an online form that allows you to designate or make changes to the beneficiaries on your accounts. Typically, the information you will need is:

- Beneficiary's name/Charity's legal name.
- Beneficiary's date of birth and social security number/Charity's EIN number.
- Beneficiary's/Charity's address and contact information.