

## Who is your Beneficiary?

*This is the first of several articles about Individual Retirement Accounts (IRAs).*

Do you know who is your beneficiary for your IRA, your 401(k), your brokerage account, and your life insurance? Do you really know or are you guessing?

There are several financial accounts (like those listed above) that are controlled by something known as a beneficiary designation form. A will or living trust typically does **not** control who receives money from these accounts upon death. So, it's critical that you keep your beneficiary designation forms up-to-date.

To emphasize my point, here's a true, but sad, story about a man that didn't keep his beneficiary designation form up-to-date:

William and Liv Kennedy were married in 1971. William filled out a beneficiary designation form naming his new wife as his beneficiary for his retirement account. So far, so good. A few years later, William and Liv had a daughter, Kari. However, William forgot to add Kari as a secondary beneficiary. Several years went by and in 1994 William and Liv divorced. As part of the divorce settlement, Liv waived all rights to William's retirement account. Again, William forgot to change the beneficiary designation form for this account. In 2001, William passed away. Kari was the executor of his estate and filed a claim for William's retirement account. She was notified that her mother, Liv, was the beneficiary of record for the account. Liv had moved back to Norway and remarried there. William's \$400,000 retirement account was paid to Liv. This seemingly unjust result was appealed through several courts and finally went to the U.S. Supreme Court. In 2009, that Court ruled unanimously that Liv was the legal beneficiary for William's retirement account and Kari was entitled to none of it. This result prevailed even in spite of the written divorce settlement terms.

The obvious moral to this story is that you need to know (not guess or hope) who your beneficiary of record is for your own retirement, brokerage, and life insurance accounts. Most IRA, 401(k), brokerage account, and life insurance custodians will provide you with a copy of your beneficiary designation form upon request. Some even have your form available for view on their website. Other custodians will simply ask you to submit a new beneficiary designation form. The most recent form determines who will be the beneficiary in the event of your death.

If there is any doubt about your own beneficiary of record, act now. This is important!

*This article was written by Herb Farrington (Certified Financial Planner) and is intended for general educational purposes only. Because of space limits, this is only a quick summary and is not individual financial advice. The article includes issues that the reader should explore in more detail. The reader should consult with his/her personal financial advisor to determine how these issues affect their own situation. The author and the Chevron Retirees Association assume no liability for individual actions taken by the reader.*