Legal Corner

**SECONDARY BENEFICIARY DESIGNATIONS – THE POTENTIAL FOR UNFORESEEN CONSEQUENCES**

We all have been tasked with filling out beneficiary designation forms, whether they are for a life insurance application, a 401(k) plan, or for opening a bank or brokerage account. For married persons with children, it is almost instinctive after naming the spouse as the primary beneficiary to list the children as secondary beneficiaries. That instinct, however, has the potential to lead to unforeseen consequences that fly in the face of an otherwise well thought out estate plan.

Because minor children cannot own property, and because it may not be advisable to give young adults unrestricted access to large lump sums of money, parents are often advised to draft Last Wills and Testaments that would place their children’s inheritance in trust in the event of the death of both parents prior to the children reaching an appropriate age of maturity. In such cases, the children’s inheritance is typically managed by a trustee chosen by the parents (a family member or close friend) until the children reach an appropriate age as determined by the parents. Parents are also given the opportunity to spread the distribution of their children’s inheritance over time—for example 25% at age 25, an additional 25% at age 30, and the remainder at age 35.

It is important to be mindful of the fact that beneficiary designations trump whatever may be set out in your Last Will and Testament. In other words, the insurance company, 401k plan administrator, or financial institution is not concerned with what your will says; rather, they are bound by their contractual relationship with you, and must honor the beneficiary designations you elected.

Consider a hypothetical situation where tragedy falls on parents of 18 year old twins. Despite the fact that the parents may have thoughtfully made plans in their wills for their children’s inheritance to be placed in trust until age 30 and managed by the children’s fiscally conservative uncle, if the parents had fallen into the habit of designating their children as secondary beneficiaries, the harsh reality would be that the 18 year olds would soon stand to receive lump sum payments for all of their parent’s accounts and insurances. This is especially troublesome because insurance and retirement accounts are usually the largest assets young parents stand to leave behind.

When discussing your estate plan with your legal counsel it is vitally important to review and discuss all beneficiary designations and to ensure that they are consistent with your overall estate plan.

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Financial Fitness

by Ann Hundl

Setting Financial Goals for the New Year

The start of a new year is a good time to dream big and set new goals. This is also a prime opportunity to step back, review your own financial situation and make sure your finances are on track to help you achieve your goals. Here are three fundamental steps to think through as you begin a fresh start in 2017.

Step one: Set concrete goals
One of the best ways to enhance the potential for building wealth and ensuring long-term financial security is having clearly defined financial objectives and a plan to pursue them. Typical goals include:

• Providing for your children's education
• Purchasing your first home or a vacation property
• Having enough money to retire comfortably at a specific age
• Setting money aside to start a business

Contemplate what’s important in your own life and try to put a timeframe and priority on those goals. Next, consider the amount of time available for you to save for each goal and how much money will be required. For some goals, like saving for a down payment on a house, it may be easier to determine the amount needed and the timing of your planned purchase. For other goals, like education saving or retirement, more variables can come into play. Having a formalized financial plan can help you see how you’re progressing toward multiple goals over time. You can then adjust your strategies or priorities to stay on track.

Step two: Match your spending to your goals
The decisions you make with your money every day can make an impact on your long-term goals. Yet it can be challenging to balance the comforts you want today with your big dreams for tomorrow. Evaluate your typical spending pattern. How does your spending relate to the goals you established in step one? As you evaluate, consider the following questions:

• Are there ways to run your household more efficiently?
• Do you know how much you’re spending on your children’s education, activities and daily needs? Many of us underestimate the amount spent in each of these categories.
• Are you mindful in making little purchases each day or week?
• Are you strategic in how you pay down student debts, borrowing or your mortgage?
• Do you make impulse purchases without carefully considering how these items fit with your long-term goals?

This year, resolve to periodically evaluate your spending every few months. Doing so will allow you to make adjustments where necessary to stay on track with achieving your goals.

Step three: Boost your savings
The most important way to improve your long-term financial position is to begin saving more and doing so consistently. Here are some specific priorities to consider:

• If you can participate in a workplace savings plan, you should do so. If your employer offers matching contributions, make sure you save enough to take full advantage of that valuable benefit. If you already participate in a plan, consider boosting your savings.
• Build up your emergency fund, cash that is easily accessible in a bank or money market account, so it matches at least three-to-six months of your income.
• Consider opening an IRA to build up personal retirement savings in a tax-advantaged way.

Try to establish monthly contributions for each of these purposes, and set a reachable but meaningful goal for each.

When setting goals for the New Year, many of us forget to consider the financial side of those goals. Think about how you’ll feel when you reach one of your goals, and then how it will feel to be right on track financially for your next goal. That feeling should inspire you to get started goal planning today.

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