

Don't roll the dice on your policies: 4 Reasons to Update your Beneficiaries TODAY



Estate planning and financial wellness can feel like a never-ending board game, and for good reason: as your life changes, so should your plans, policies, and designations. Large life events, like marriage, the birth of a child, and purchasing a home can all impact your financial planning. Unexpected life events should also serve as a signal for you to evaluate your plans, such as divorce, death, job changes, and more.

Let's say you get married in your early thirties, have three children, and set up a life insurance policy when your children are young with your partner as the primary beneficiary, trusting that if you were to pass, they would use the funds as they felt best for the family. Twenty years later, you've divorced and remarried, had another child with your new partner, and you unexpectedly pass away without ever having updated your life insurance beneficiaries. All the death benefit would go to your first partner, and none to your children. Your former spouse would be under no obligation to distribute the funds to your children or current spouse, and a lengthy legal battle could ensue among all the pain and stress of your passing. This example is one of the many reasons to update your beneficiaries now, and on a regular basis moving forward:



Beneficiaries May Have Changed

In the example above, you saw tangible evidence that beneficiaries can change over time. Even if you never divorce your partner, your children may grow up and no longer need to be part of your life insurance policy, your contingent beneficiaries may no longer be in your life or may have passed. Whether you evaluate your beneficiary designations as part of a Qualifying Life Event (QLE) or not, it's important to review them on a regular basis.



Contact Information May Be Different

If your beneficiary's contact information has changed over the years, you must update your policies accordingly. If your provider is unable to get in contact with your beneficiaries, it could delay payment of the death benefit. Review phone numbers, addresses, and emails as part of your regular beneficiary review.



Tax Consequences

Designating estates may require that your account go through probate court before distribution. Consider working with a qualified tax advisor to ensure your loved ones are protected.



Legal Precedent

In 2018, the United States Supreme Court ruled that beneficiary designations supersede the provisions of a will or trust. Make sure your life insurance beneficiary designation(s) match those listed in your will or trust so that you don't end up in a situation like the example above.

In many board games, the key to winning is making investments properly and checking on them when the board brings you back around. Be sure to treat your life insurance policies seriously, with the same regular check-ups to ensure that you're paying into a policy that will protect your family.

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