

Are you doing annual beneficiary reviews?

Turning a mundane task into opportunities for your clients...
and your practice

Annual beneficiary reviews are an important part of your advisor-client relationship. They're also essential to ensuring that your client's directives are being followed according to their true intentions.

Have you heard unfortunate beneficiary stories?

- An ex-spouse collects a large sum from a death benefit that was intended for the current spouse.
- Or a child from a previous marriage gets accidentally removed as a beneficiary from an account. Along the way, fights break out. Lawsuits happen. Family members stop talking.
- And the biggest irony? The person who left behind the money did so as an act of love. They never imagined that such chaos would ensue. Or maybe they mistakenly believed that their will would take care of who gets what in the end.

Avoiding a very avoidable situation

It's this simple. If you make it a point to reach out to your clients annually to review their beneficiary designations, a lot of hardship could be avoided. It doesn't have to be a long conversation, but it does need to be thorough. After all, they may have many types of accounts that list beneficiaries, not just the ones that you oversee.

It's amazing how many changes can happen to clients throughout their lives. They marry. They divorce and maybe remarry. Children, grandchildren (and sometimes great-grandchildren) are born. Loved ones pass away. It's up to you as their advisor to help make sure that their beneficiary designations stay current so that the death benefits match each client's wishes.

It's not only about updating names. It's also about reviewing the options.

As an advisor, you're in a unique position to help them understand their payout options. When does a lump-sum payment make sense? When are they better off extending their payout? How could you help them minimize the tax burden? Remember, they may not have had your counsel or anyone's advice when naming beneficiaries and understanding their options in the past.

It's worth your time

While the accounts they have with you may well be properly updated, it's often a great service to ask clients about the beneficiaries on their other investments. Looking out for your clients' well-being is basically the reason why you do what you do. Performing this task can lead to an even deeper relationship.

Sometimes it leads to opportunities to re-examine their current account. Sometimes it can result in clients wanting you to manage outside accounts. It may even open the door to you meeting their beneficiaries and forming new relationships.

All of that is a wonderful side benefit. But at the end of the day, knowing your clients can feel confident that their final wishes are carried out as they intended is the ultimate reward.

Asking the right questions

Have you or any of your beneficiaries married/divorced/been widowed since our last review?

Forgetting to remove an ex-spouse may result in them receiving the death benefit. Divorce does not automatically remove them as beneficiary in most states.

Do either you or your spouse have children from a prior marriage that you specifically wish to include or exclude as beneficiaries?

Second marriages often lead to the new spouse or the children from a prior marriage being inadvertently disinherited.

Are you still in contact with the beneficiaries you originally named? Have there been any falling-outs since our last review? Any deaths?

Removing an heir from your will does not, in itself, remove them as beneficiary on your accounts.

Do all of your accounts, either with me or elsewhere, have contingent beneficiaries listed in case your primary beneficiary (e.g., spouse) predeceases you, or elects to disclaim the death benefit?

Defaulting to estate as beneficiary is usually undesirable for several reasons.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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