

A common estate planning technique is to name a beneficiary on an annuity, life insurance, or retirement plan. This planning technique will not bypass an inheritance tax obligation, but it will pass outside of the estate, opening access to those assets immediately or at least once the proper paperwork is submitted. To be certain you have planned correctly, beware of the following pitfalls:

Make certain that the person you want to receive the asset is properly designated on the particular product i.e. will, 401K, etc.

Your will does not trump your beneficiary designations.

Designating a beneficiary that presently received government benefits should be carefully considered. Receipt of an asset may disqualify an individual from receiving benefits for a period of time. A special needs trust could be the answer to this dilemma.

If a minor is named as a beneficiary, the asset will not be paid directly to the minor. A trust that you create can address this issue. If not done correctly, the court will appoint a guardian to handle the proceeds until the child turns 18. This can be a very involved and intrusive. If a trust is created, you can control the age the child receives their money which could be well beyond 18 years of age.

Tax implications are important to consider when planning an estate. This area cannot be overlooked.

Name a contingent beneficiary. If not, and the estate receives the proceeds, then that money becomes available if any creditors file claims against the estate.

When setting up beneficiary designations, consider how much and when distributions should occur. Careful planning can protect the young adult from creditors and from a spouse in a divorce.

Your estate plan must be reviewed every several years, but especially after or an anticipated major life event such as marriage, children, or divorce, and the beneficiary designation adjusted accordingly.

Using forms from an online legal forms site is risky business. It will be well worth your time and money to seek professional advice. One wrong turn, and your estate plan becomes an estate disaster.