



KALEJTA FINANCIAL MANAGEMENT

BUILDING WEALTH. PROTECTING DREAMS®

Beneficiary designations are a powerful, sometimes underestimated tool, for estate planning. Adding beneficiaries to your accounts gives you the opportunity to directly distribute your assets after your death. This is important because it helps your family avoid added expenses and the stress of probate. Therefore, it's extremely important to keep the names of the people to inherit your wealth up to date. This applies to:

- Insurance policies
- Pension plans
- Individual retirement plans
- Annuities and other investments

It may seem redundant at times, but this is the purpose behind why we make sure to discuss this annually with our clients. Often times, events in life are constantly changing and as a result beneficiary designations periodically need to be reviewed and updated.

Here are a couple of specific examples why checking your beneficiary designations regularly is so important:

- Do you realize that a beneficiary designation *always* trumps a will? For example, if children are named in a will, but an ex-spouse is still listed on a pension plan, the ex-spouse is legally entitled to that money, regardless of the family's wishes.
- Accounts without beneficiaries may be subject to probate. Probate can be an expensive and lengthy process. On top of that, the court may not honor original

intentions. Beneficiary designations completely bypasses expensive court proceedings for any account with a named beneficiary.

- Family relationships can be complex, and beneficiary designations allow you to ensure the future wellbeing of all family members. Without beneficiary designations, your wishes may not be carried out as written and a probate court (or local statute) may determine the final distribution of your assets.
- A good estate plan should keep up with your life. By regularly updating your beneficiary designations, you can better ensure that your estate plans keep up with major events like births, deaths, relationship changes, and major financial decisions.
- Naming contingent beneficiaries is equally as important as primary beneficiaries. In the event a primary beneficiary passes away before you, a contingent beneficiary will ensure your assets will go to the next recipient(s) you've chosen. Some experts suggest naming two contingent beneficiaries for each primary one, just to be safe.

Now that you understand how crucial it is that you designate your beneficiaries, here are a few important things to keep in mind before you do.

- Make sure that you clearly identify each beneficiary by name and relationship, instead of imprecise phrases like "all my living children" or "as per my will." This will ensure that account custodians are able to correctly identify your beneficiaries and disburse funds quickly.
- Consider specifying percentages instead of amounts, so that account value changes don't affect your wishes.
- Discuss your estate plans and beneficiary designations with your family members so that everyone is aware of your wishes.

At Kalejta Financial Management, our focus is on retirement and estate planning. In working with many clients who have been referred to us over the years, we have seen examples of what can happen when beneficiary designations have not been updated. We oversee many retirement and investment accounts, and we make it a point to ensure our clients get the outcome they intended.

If you already have someone you trust with your life savings, that's wonderful. However, if you're unsure about being on the right track we would enjoy the opportunity to get to know you and give you a chance to learn how working with one of our dedicated financial advisors.

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