

Financial fitness

Could Your Ex Get Your IRA Or Your Life Insurance When You Die?

By Rocky Mills, North Ranch Resident

It's been known to happen. Here's how.

You got divorced. In your settlement, certain assets were shifted and perhaps re-titled in or out of your name. Perfect – each of you now owns what you've agreed on.

But ownership isn't the only thing that needs to be reviewed. You also need to examine who gets the asset after your death.

For assets held in a trust, the trust language will spell out exactly who gets the asset when you die. Same for assets held



in joint tenancy – the document establishing that entity (as well as state law) will dictate who gets the assets upon your death. And your will takes care of directing any assets held in your single name (though it might be wise to execute a “Transfer on Death” instruction to avoid probate).

But what about your IRA? Or 401(k)? Or profit sharing plan? Or an annuity or life insurance policy? Instructions at death for these assets are not governed by your trust or will or joint tenancy agreement. Instead, each account is governed by its own beneficiary statement.

On this form, you indicate your primary beneficiaries and the percentage given to each. You should also indicate contingent beneficiaries – those that will receive the assets if the primary beneficiaries pre-decease you (or you die together). The beneficiary can be a trust, but chat with your estate attorney first to make sure the trust has the right language for this purpose.

After a divorce, it's up to you to update your beneficiary statements.

In fact, every five years or so you should review all your beneficiary statements to make sure they're still set up the way you want them.

Robert A. "Rocky" Mills is a registered representative with and securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Westlake Investment Advisors, a registered investment advisor and separate entity from LPL Financial.

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