



## Common Estate Planning Pitfalls

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Even the most well-laid plans can go awry. Once your estate plan is in place, **avoid these common pitfalls:**

### **1. Beneficiary designations or transfer on death**

**designations that are inconsistent with your estate plan or fail to consider income tax consequences.** Beneficiary designations are an important part of an overall estate plan. Assets that typically pass by beneficiary designation include life insurance, annuities, and retirement or other tax deferred benefits (e.g., IRAs, and 401(k), 403(b), pension and profit sharing plans). In addition, in recent years, several financial institutions have implemented payable on death or transfer on death options that allow you to designate beneficiaries for bank accounts, CDs, stocks, and other assets. However, be sure to carefully follow your estate planning attorney's instructions in designating a beneficiary because an inconsistent beneficiary designation may defeat the intended distribution scheme under your will or trust, including any asset protection you may have built into your trust. Moreover, retirement benefits or other tax deferred benefits that pass by beneficiary designation should be carefully reviewed to ensure that they are distributed with full knowledge of the income tax effects and payout options available to the beneficiaries.

### **2. Inappropriately adding a child as joint owner on your**

**bank accounts.** Clients sometimes add a child to bank accounts for convenience, but this can have unintended consequences. The law presumes that a joint owner has an interest in one-half of the asset; thus, a child's creditor could reach one-half of your bank account. In addition, on your death, the bank account will pass directly to that child by law. This could defeat the distribution scheme in your will or trust (such as leaving assets equally to all children).

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#### **PRACTICE AREAS**

Estate Planning



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**3. Not reviewing your estate plan on a regular basis.** Changes in law and the inevitable changes in the nature and value of your assets may necessitate changes to your estate plan. In addition, you should review your estate plan after any major family change, such as a birth, adoption, death, or divorce. We suggest a formal review of your estate plan at least every five years to determine if any changes are appropriate.

