Clients Need to Revisit Account Titling and Beneficiary Designations

Major life events or new financial circumstances may require changes.

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Estate-planning discussions often focus on wills and trusts, yet some of the most consequential decisions receive far less attention, such as how accounts are titled and who's listed as the beneficiary. These details are easy to overlook and often remain unchanged for years, but they play a critical role in how assets transfer, how efficiently an estate is administered and whether the client's plan ultimately works as intended.

Encourage clients to revisit account titling and beneficiary designations, particularly for families who have experienced life changes or whose financial lives have become more complex over time.

Beneficiary Designations

A beneficiary designation is a directive that instructs a financial institution on how to transfer an account upon death. These designations already apply to a client's most significant assets, including:

- Retirement accounts such as individual retirement accounts, Internal Revenue Code Section 401(k)s and Section 403(b)s

- Life insurance policies
- Annuities

What's often misunderstood, even among sophisticated clients, is that beneficiary designations generally override the provisions of a will or trust. As a result, even a well-crafted estate plan can be unintentionally undermined if beneficiary forms are outdated or inconsistent.

Common issues include former spouses or siblings still listed as beneficiaries, the absence of contingent beneficiaries or distributions that no longer align with a family's current intentions. When beneficiary designations are properly reviewed and coordinated, assets can transfer efficiently, outside of probate and in a manner consistent with the broader estate plan.

Account Titling

How an account is titled determines both current ownership and how it will transfer in the future. This legal distinction is frequently underestimated, yet it can have significant planning and tax implications.

Some of the most common titling structures include:

Individual accounts.

Assets titled solely in an individual's name generally pass according to their will or revocable trust, assuming no beneficiary designation applies. These accounts are subject to probate, but when coordinated properly, they can offer clarity and control within an overall estate plan.

Payable/transfer on death or designated beneficiary.

These designations allow assets to pass directly to named beneficiaries and avoid probate. This titling works exactly like the designated beneficiary on a retirement account, bypassing a will. Designated beneficiaries can streamline simple estates or increase administrative efficiency when desired.

Joint tenants with rights of survivorship.

This is the most common structure for couples and allows assets to pass automatically to the surviving owner (For Community Property states such as California – married couples should consider a Trust first and second **“Community Property with Right of Survivorship”** for the purpose of getting a full step up in basis upon the death of the first spouse.)

Be careful using this structure to add a well-intentioned child to a parent’s account as the joint titling can lead to unintended gifts, creditor exposure, or the exclusion of other intended heirs.

Tenants in common. This approach is often more appropriate when multiple owners have distinct estate plans or unequal ownership interests. On death, an owner’s share passes according to their individual estate plan rather than automatically to the remaining owners.

Each of these titling options carries benefits and tradeoffs, and the “right” choice depends on family dynamics, asset type, and overall planning objectives.

Coordinating the Details

Account titling and beneficiary designations should never be treated as static decisions. Advisors should prompt reviews following major life events such as marriage, divorce, the birth of a child or grandchild or the death of a family member. A periodic review every few years can also uncover inconsistencies before they become costly or difficult to unwind. Changes in wealth, tax law or estate-planning strategies always warrant a fresh look.