



## Alloy employees Go Red for Women!

By Marisa Salmieri

Alloy Silverstein continues its tradition this year in joining companies nationwide to participate in the American Heart Association's (AHA) National Wear Red Day, Friday, February 5, 2010. The event is part of the AHA's Go Red for Women campaign. This year, the partners challenged the employees to raise \$6,000. We are proud to report that goal was surpassed in less than a month. All \$100 donors have been granted the comfortable privilege of wearing jeans to work throughout tax season. All of our donations to the AHA support their national campaign to heighten awareness of cardiovascular disease, the number one killer of American women, and to one day lead to its defeat. ♦



*Above are some of the many gifts Alloy Silverstein collected this past holiday season as part of our annual Adopt-A-Family program. This year, the firm adopted a family from a middle school in Washington Township, NJ. We would like to thank everyone who participated this year in making a memorable holiday for a family in need.*

## Check Your Beneficiary Designations

by Charlie Byron

The importance of complete and accurate beneficiary designations is best illustrated by looking at a real life example of the complications of getting things wrong.

Jane had a life insurance policy, two annuities, an IRA, and a couple of brokerage accounts when she passed away in January 2010. She had four adult children we will identify as A, B, C, and D who have good relationships with one another. Jane had been ill for quite a while and thought she had everything in order. Unfortunately, this was not the case. Jane intended for her estate to be shared equally between her four children, but she had listed A and B as the only beneficiaries of her life insurance and annuities, and only A as beneficiary of the IRA, which was fairly large in size. So what happens with Jane's estate now that she is gone?

Life insurance, annuities, and IRAs all pass by contract to the named beneficiary or beneficiaries. There is generally no limit to the number of primary beneficiaries that can be named, so Jane could have named A, B, C, and D each as 25% beneficiaries of her life insurance, annuities, and IRA benefits. If the named beneficiary or beneficiaries do not want the insurance, annuities, or IRA, or want to share it with others, as would be the case in this situation, the options are limited. Assuming they follow all applicable state and federal requirements (there are many), the primary beneficiaries can disclaim, or relinquish their claim, to the benefits. If they disclaim a benefit, it passes to the contingent beneficiaries and the primaries receive nothing. If the contingent beneficiaries disclaim and there are no tertiary beneficiaries named, the benefit passes to the estate of the decedent. Ultimately, this defeats one purpose of life insurance and one benefit of annuities and IRAs – passing funds to designated individuals or

institutions without the time and expense of probate.

For Jane, incomplete beneficiary information has left quite a headache for her heirs. In order to distribute the funds among the other siblings without the need for probate, the primary beneficiaries could accept the funds and gift amounts to the others. If the amounts are small, this works, but as the amounts increase, this can be a challenging endeavor stretched out over several years.

The implications for IRAs are particularly significant. The strategy of stretching an IRA across generations is eliminated when there are disclaimers involved in the IRA transfer and it is paid to the estate. An IRA can be stretched over the life expectancy of children and grandchildren, resulting in continued tax deferral and extending the opportunity for the funds to grow many times over.

Brokerage accounts and most other non-qualified investment accounts pass by will, so it is important to review wills and trusts as accounts change and money is moved around. This will ensure accounts are transferred in the desired manner. Relationships change, marriages and divorces occur, and accounts move from broker to broker, so keeping information current in those documents that express our final wishes is the only way to guarantee what we intend to have happen actually transpires.

Unlike our example of Jane's children, who were willing to act on their mother's true intentions, there is a risk that incomplete beneficiary designations could result in hurt feelings and rifts among family members. Disagreements over money can result in the end of even the closest of relationships between siblings and other family members.

There are some situations in which we only get one chance to get it right. Correct beneficiary designation is one of those matters. Take the time to review your beneficiary designations and consult with your financial advisor to understand where the money in your accounts will be disbursed when you have moved on. ♦