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6 Reasons to Name a Beneficiary on Your Account



In this article, author Brian Martucci with Money Crashers offers six good reasons to name a beneficiary on your accounts at your earliest convenience.

1. The Account Balance Avoids Probate

Once you've named a beneficiary or beneficiaries on your account, you can rest assured that ownership of the account will transfer to them immediately at your death.

The cash in the account bypasses the costly, time-consuming probate process, where it's vulnerable to claims by your creditors and potentially other surviving family members whom you don't want to enrich. If you die without a will, probate can be even more burdensome. Designating account beneficiaries ensures at least some of your assets pass quickly to your heirs.

2. You Have More Choice Over Who (Or What) Gets Your Money

If only to avoid probate, you should designate a beneficiary even if they're the obvious choice: say, your spouse or kid. But it's even more important if your wishes are less obvious or more complicated.

A beneficiary designation allows you to choose who gets your money after you die — and, perhaps more important, who doesn't.

3. You Can Keep the Money From Your Heirs or Survivors Until You Die

A sole-ownership account with a designated beneficiary gives you more control over its contents than alternatives like joint accounts (owned collectively by you and your spouse and/or children) and trust accounts. If you don't want your heirs to have access before you die to the assets they'll eventually inherit, this is the way to go.

4. It's Less Complicated and Expensive Than Setting Up a Trust

A revocable trust can also help you bypass probate. And it's not an either-or situation: If your finances are complex, it could make sense for you to set up a revocable trust for your heirs while also designating beneficiaries on your cash accounts.

That said, beneficiary designations should come first. When your financial life is relatively simple — you have a couple accounts and maybe an IRA but that's about it — you don't need to bother with a trust, which can cost hundreds or thousands of dollars (and require several hours of work on your end) to set up. Just designate account beneficiaries and call it a day (for now).

5. It's Clearer Than Writing the Transfer Into Your Will

When you designate a beneficiary on an account, you leave no room for interpretation. When you die, the beneficiary gets the cash.

This is clearer (and easier) than spelling everything out in your will, especially if you're preparing your will on your own with the help of will-writing software rather than the guidance of a human estate lawyer. For example, splitting your assets evenly between your two kids might sound fair, but dividing the contents of multiple accounts in a truly fair way is more difficult than it appears. One is likely to get more than the other.

Likewise, a will is more time-consuming and costly to write (and change) than a beneficiary designation. If your will lists specific accounts and their inheritors, it becomes

outdated the moment you open a new account not mentioned in it.

6. You Can (Probably) Override Your Will Without Changing It

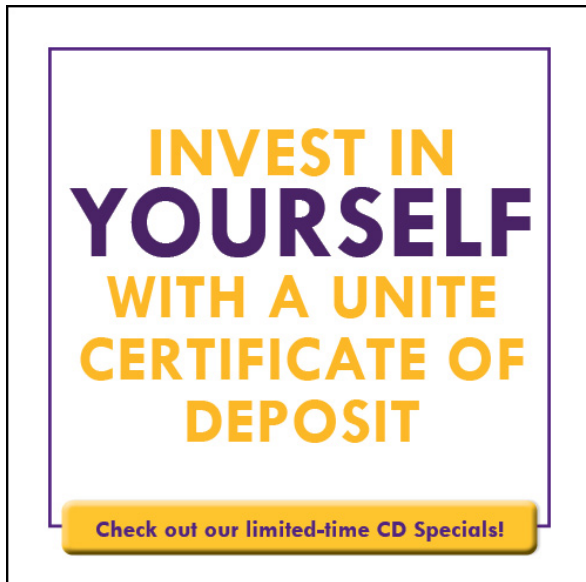
Though the rules vary by state and you'll definitely want to speak with an estate lawyer to be sure, it's generally the case your beneficiary designations supersede your will.

This is useful if you want to write someone out of your estate plan, like an ex-spouse. You should probably update your will anyway after you separate or get divorced, it's quicker to update your beneficiary designations.

How to Name a Beneficiary on Your Credit Union Accounts

It's easy to name a beneficiary on your credit union accounts. Simply contact us to find out what information is needed.

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About UNITE Credit Union

UNITE Credit Union was established in 1955, and since then has provided financial services to the students, parents of students, alumni, faculty, staff & retirees of the University of Northern Iowa; the employees, families & retirees of MidAmerican Energy & the students, parents of students, alumni, faculty, staff & retirees of the Cedar Falls School District.

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