Why beneficiary reviews matter for Moreno Valley wealth planning

Why beneficiary reviews belong in an annual financial review

Beneficiary reviews are often overlooked, yet they play a critical role in keeping a financial plan on track. An annual financial review typically covers investment performance, retirement contributions, and insurance coverage. But the people you name to receive those assets deserve the same attention. Without a regular check, outdated designations can undo years of careful wealth planning.

Many people name beneficiaries when they first open an account or buy a policy, then never revisit that choice. Life changes - marriage, divorce, births, deaths, estrangements - can make those original selections wrong. If a beneficiary predeceases you, or if a divorce decree removes an ex-spouse's entitlement but the policy still lists them, the assets may go to someone you no longer intend. In some states, a divorce automatically revokes a spouse designation for retirement accounts but not for life insurance or annuities. The result can be a payout that contradicts your wishes and creates family conflict.

What a beneficiary review covers

A thorough beneficiary review looks at every account and policy that passes assets outside of probate. This includes life insurance policies, retirement accounts (IRAs, 401(k)s, 403(b)s), annuities, payable-on-death bank accounts, and transfer-on-death registrations for securities or real estate. For each one, you need to confirm the primary beneficiary, the contingent beneficiary, and the percentage split if there are multiple beneficiaries.

Contingent beneficiaries are especially easy to forget. They receive the assets if the primary beneficiary dies before you or at the same time. Without a contingent beneficiary, the asset may go into your probate estate, which can delay distribution and increase costs. Naming a contingent beneficiary keeps the process clean and respects your timeline for passing on wealth.

View the location on Google Maps

Another layer is the relationship between beneficiary designations and your will or trust. Beneficiary designations on retirement accounts and life insurance policies override what your will says. So even if your will leaves everything equally to your children, a life insurance policy that names only one child will pay only that child. An annual review catches these mismatches and lets you align the designations with your overall estate plan.

How beneficiary reviews support wealth planning

Wealth planning is about more than accumulating assets. It is about directing those assets where you want them to go, with minimal tax and legal friction. A beneficiary review supports that goal in several ways.

First, it helps with income replacement. If you have a life insurance policy intended to replace your income for your dependents, you need those dependents listed as beneficiaries. If a child has become financially independent, or if a new child has been born, the policy should reflect that. Second, it supports asset protection. Naming a trust as beneficiary, rather than an individual, can protect the inheritance from creditors or from a beneficiary's poor financial decisions. A review lets you decide whether a trust is appropriate for any of your accounts.

Third, it keeps your **risk management planning** current. Life insurance and annuities are often purchased to manage specific risks - the risk of dying too soon, the risk of outliving savings, the risk of leaving a dependent without support. If the beneficiary information is outdated, those risk management tools may fail exactly when they are needed most. Reviewing beneficiaries annually ensures that your risk management planning stays aligned with your actual life situation.

What to watch for during a review

Several common issues appear during beneficiary reviews. One is naming a minor child as a direct beneficiary. Minors cannot legally receive assets directly. The court would appoint a guardian to manage the money until the child reaches adulthood, which can be costly and slow. A better approach is to name a trust or a custodian under the Uniform Transfers to Minors Act (UTMA), which gives you control over how and when the child receives the money.

Another issue is naming your estate as beneficiary. This may seem simple, but it forces the assets into probate, which can tie them up for months and expose them to creditors. It also eliminates the income tax benefits that retirement accounts offer when paid directly to an individual beneficiary. For most people, naming a person or a trust is more efficient.

Per stirpes versus per capita distribution is another detail worth checking. Per stirpes means that if a beneficiary dies before you, their share goes to their descendants. Per capita means the share is divided equally among the surviving beneficiaries. The right choice depends on your family structure. If one of your children has predeceased you and left children of their own, per stirpes ensures those grandchildren receive the share. Per capita would cut them out entirely.

How often to review and who can help

Annual reviews are the standard, but certain life events should trigger an immediate check. Marriage, divorce, birth or adoption of a child, death of a named beneficiary, a significant change in financial situation, or moving to a different state with different laws all warrant a fresh look. Even if nothing has changed, reviewing once a year is a good discipline. It keeps the designations top of mind and lets you adjust for changes in tax law or in your own goals.

You can do a basic review yourself by gathering statements and checking the beneficiary pages online. Many financial institutions let you view and update beneficiaries through their portals. But it is wise to involve a professional who understands how beneficiary designations interact with estate planning, taxes, and asset protection. An attorney, a CPA, or a financial planner can help you see the full picture.

One local option is Prism Insurance Agency, Inc. An annual financial review that includes beneficiary checks helps ensure your wealth plan works as intended. It is a small step that can save your family a great deal of confusion and expense later on.

For more information, you can contact Prism Insurance Agency, Inc. at 24490 Sunnymead Blvd. Suite 110, Moreno Valley CA 92553, or call +19512432800.