

4 Reasons to Keep Your Beneficiaries Up to Date

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Reason #1 – Relationships Change Over Time

Relationships are one thing we know will always change over time. Whether you're young and going to get married one day or you're an older adult who may eventually face the death of a spouse are going to change, and most likely, your listed beneficiaries will be affected.

When you go through a major life change, like marriage, birth of a child, death of a spouse, divorce, etc., make sure you update your beneficiaries. If you don't, your family may face unintended consequences. Let's look at a few examples.

Marriage

If you marry and don't add your new spouse as a beneficiary, your spouse may not inherit anything. Of course, it all depends on who your beneficiaries are. If you are a young person and have always named your parents as beneficiaries, they will hopefully make sure that your spouse is taken care of. Unfortunately, that's not always the case, especially with estranged relationships. The best route is to update your beneficiaries to include your new spouse.

Divorce

Let's say get married in your twenties and have 2 children. You then set up a life insurance policy, naming your new spouse as a beneficiary. 10 years later you have divorced and re-married, and now, you have a child with your new spouse.

If you never updated your beneficiaries on your policy, your ex-spouse would inherit, leaving no proceeds for your current spouse or any of your children. By updating your beneficiaries as in a timely manner, you can avoid an unintended situation.

Deceased Beneficiary

Occasionally, you may name a beneficiary who happens to die before you. If you don't update your beneficiary to someone new, it can cause complications in the future and may require your family to pay for legal council to make things right.

In some cases, your intended beneficiaries will not receive anything at all. By staying on top of your beneficiary updates, you can have piece of mind that your assets will go to the correct loved ones.

Reason #2 – Beneficiary Designations Supersede Any Legal Will

Did you know that Canadian Supreme Court ruled that beneficiary designations supersede the provisions of a will or trust? What does that mean? It means that keeping your beneficiaries up to date is more important than ever before. Even if you have a legal will whoever is listed as your beneficiary on the individual accounts is the person who will inherit. So, if you write in your legal will that your brother should inherit the proceeds of your investment account, but your spouse is named as the beneficiary on the account, your spouse will inherit, if they are still living. If they aren't living, things get more complicated from there, and your spouse may need to go to court to receive any proceeds at all.

It is essential to update beneficiary information in cases of Divorce. If you don't, an ex-spouse may receive support

you intended for a current spouse. By keeping things as current as possible, you can prevent headache and heartache for your loved ones.

Reason #3 – You Eliminate Confusion and Avoid Probate Court

Making sure that your legal will and your beneficiaries match up is essential to making your intentions crystal clear. This will help you avoid probate court and make things easier for your loved ones in the future.

Reason #4 – You Ensure Your Loved Ones' Financial Security

Without the correct beneficiaries listed on your financial accounts, the wrong person may receive the proceeds of your lifelong hard work. To ensure that your loved ones receive everything you want them to, it's best to stay on top of your beneficiary information. The last thing your loved ones need after your passing is to untangle your legal affairs and possibly go to court to ensure their own financial security. And even in court, they may not win because many beneficiary mistakes are irreversible.

What's Next?

Now, it's time to go check your accounts and make sure that your beneficiary information is accurate and up to date. Have your beneficiaries moved or died? Have phone numbers changed? Are your relationships different now? Would like someone else to inherit? All these things could trigger the need to update your beneficiary information.

Life can be complicated and reviewing your beneficiary information every three – four years (or whenever you have a significant life change), so that you don't fall into this common estate planning mistake. Instead, you will protect your family's interests and well-being, both today and in the future.

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