

## Please name a beneficiary

Estate planning can be complicated and confusing, but there are many pitfalls that can easily be avoided with proper advice. Naming beneficiaries for IRAs, qualified retirement plans, insurance policies and annuities is the simplest way to ensure assets are passed tax efficiently to those you care about.

Recently, I have been assisting a client with a difficult estate administration. A relative of theirs passed away with a few IRAs, with the estate named as the only beneficiary of each. The financial advisor of the relative that passed, told my client that the only option they had was to



immediately withdrawal the money from the IRAs, and put it into a taxable estate account for further distribution to the individual beneficiaries. This transaction would make all the funds in the IRAs immediately taxable to the estate, where income tax rates quickly hit 37% at just over \$15,000 in income. Thankfully, this recommendation was not accurate. It really isn't the only option it just happens to be the only option at that firm. Barrister's custodian, Charles Schwab, allows for what is called an Estate Bypass. In this situation we would open an Inherited IRA in the name of the deceased's estate, transferring all assets from the deceased's IRAs into this new IRA tax-free. We then can open Individual Inherited IRAs for all the beneficiaries named in the will, further transferring assets from the Inherited IRA for the Estate into their individual IRAs tax-free. Depending on if the decedent passed before taking required distributions, withdrawals can be taken from the Individual Inherited IRAs

over the remaining life expectancy of the decedent, or within five years. With either of these options the individual is much better off than immediate liquidation of the IRA at the estate level because they can stretch their distributions out over multiple years at individual income tax rates, not estate income tax rates. Again, the best and easiest option is to never name the estate as a beneficiary for these types of accounts, instead we should be naming individual primary beneficiaries along with contingent beneficiaries.

While on the subject of estate planning, we should mention the importance of thinking about how our digital footprint will be managed at our passing. Apple, Google, and Facebook all allow for the naming of a legacy contact which empowers an individual to manage those accounts upon our passing. To add a legacy contact on each service you must do the following:

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- Facebook mobile app: Settings & Privacy | Settings | Personal and account information | Account ownership and control | Memorialization settings | Choose Legacy Contact
- Google: Go to [myaccount.google.com](https://myaccount.google.com) | More options | Make a plan for your digital legacy
- iPhone: Settings | Tap your name | Sign-In & Security | Legacy Contact

It would also be a good idea to provide an executor or other friend or family member with a list of all important accounts and their corresponding log-in information. For those that use password managers like 1Password or LastPass you can share access so that at your passing all this information would be available to whomever you give permission. Given the prevalence of multi-factor authentication it is also important that your loved ones know your phone's passcode to complete the login process.

Losing a loved one is a difficult and emotional process, there is no reason to make it more difficult for our loved ones by not properly planning for our estate today.

As always if you have any questions please don't hesitate to reach out.

Best,

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