

# Beneficiaries Explained!

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## Understanding Beneficiaries: What They Are & Why They Matter

As part of your investment and estate planning, naming beneficiaries is a crucial step. Let's walk through what beneficiaries are, why they're important, and the different types you may come across when setting up your accounts or policies.

### What is a Beneficiary?

A beneficiary is a person (or entity) you choose to receive your assets when you pass away. This could include:

- Investment accounts (like IRAs or brokerage accounts)
- Life insurance policies
- Trusts
- Bank accounts (with transfer-on-death designations)

Naming beneficiaries ensures your assets are passed along according to your wishes—quickly and efficiently—without going through probate.

### Why Are Beneficiaries Important?

- Avoids Delays: Assets go directly to your beneficiaries, bypassing probate.
- Ensures Control: You decide who gets what and how much.
- Reduces Conflict: Clear instructions help prevent disputes among family members.
- Keeps Things Private: Unlike wills, beneficiary designations are not part of the public record.

### Types of Beneficiaries

Let's break down the most common types you might see:

1. Primary Beneficiary: The first in line to receive the asset. You can name one person or multiple people and assign a percentage to each (e.g., 50% to a spouse, 25% to each child).
2. Contingent Beneficiary (Secondary): Also called the backup beneficiary. They only receive the asset if the primary beneficiary is unable to (e.g., predeceased, refuses the inheritance, etc.)

### Distribution Methods for Multiple Beneficiaries

When naming multiple beneficiaries (especially for children or future generations), you may see the terms per stirpes and per capita.

1. Per Stirpes ("By Branch"): If a beneficiary passes away before you, their share is passed down to their children.  
Example: If your daughter passes before you, her children (your grandkids) would inherit her portion.

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beneficiaries. Example: If one of your three children passes away, the remaining two children would each receive 50%.

#### **Tips for Keeping Beneficiaries Up to Date**

- Review Annually or after major life events (marriage, divorce, births, deaths).
- Ensure names are spelled correctly and full legal names are used.
- Keep your advisor informed so they can assist with any changes.

#### **Questions?**

Naming the right beneficiaries and understanding how your assets will be distributed is essential to your financial legacy. If you're unsure who to name or how, your Advisor or the Client Success Team can help guide you.

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