

## Is Your IRA Beneficiary Properly Structured?

**Q:** A member of my garden club told me that the beneficiaries I have designated in my Will may have to pay extra taxes because of how I chose them on my IRA – what is she talking about?

**A:** She is talking about the beneficiary designation form. This form is a critical part of your estate planning. Keep in mind that any assets passing to your heirs as a result of their being directly named as a beneficiary will not even go through your Will. This is why it is crucial that you properly designate the correct beneficiaries.

In some cases, however, assets are passed through an estate (by the person's Will) as a result of the beneficiary designated with the custodian of the accounts. In this case, it could result in an accelerated distribution of IRA money and a loss of the opportunity for tax-deferred growth. In other words, more taxes, sooner.

Remember to check your beneficiary designations on all tax-deferred accounts. In general, a younger beneficiary will benefit more from an IRA than most other assets as a result of growing tax-deferred over the years.

More importantly, you must ensure that your secondary (or contingent) beneficiary designations are correct on these accounts. Much of the time a person designates the proper primary beneficiary but forgets to designate the correct secondary beneficiary.

What is the status and condition of the beneficiary who is designated? Are you sure you wish to leave the money directly to this person? Or is there a better way to provide for this beneficiary without jeopardizing the money involved?

When it comes to your estate planning, an “ounce of prevention” is truly worth it.

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*Attorney Christopher Desimone is managing partner of Anderson & Desimone PC of Roanoke, Virginia. He focuses 100% of his law practice on estate planning. (540) 776-6434.*