



## CHOOSING BENEFICIARIES

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As parents we spend a lot of time picking the perfect names for our kids. Unfortunately, most parents do not spend nearly enough time picking the name for the "beneficiary" on their life insurance policies. Every parent with minor children should spend time picking the correct beneficiary names to ensure that their desires for their kids are fulfilled.

A major responsibility outside of providing emotionally for your children is providing financially for them. This includes the potential of your death before they become adults. Life insurance is a great mechanism to replace your income that provides for your family but if you pick the wrong name for your beneficiary your survivors could be in for a surprise.

Here are the four named beneficiaries parents typically pick:

1. **Your Spouse.** This is the obvious choice and in most cases the correct choice for your "primary" beneficiary. If you die it makes sense that your spouse receive all your life insurance and retirement benefits. After all, their priority will be to care for the kids. The problem occurs should you and your spouse happen to die at the same time. Many times this is the only beneficiary listed. Then who should be the beneficiary?
2. **Your kids.** This is the second most obvious selection. But this can cause a big problem. If your kids are minors, no financial institution will transfer the benefit to them until they are 18. And, even if they would do so, do you think your kid at 18 is equipped to manage your \$500,000 life insurance benefit?
3. **Your mom.** Certainly grandma will want to take good care of your child. But she may have other grandchildren in need as well. She may feel inclined to use proceeds you set aside to care for other purposes. And what happens if her health begins to fail? Nothing prevents her from tapping the funds you left to provide for your kids. Grandma may be a good choice for guardian but not for a beneficiary.
4. **Your sibling or other close relative.** This may be a good choice for guardian but not as the beneficiary of your \$500,000 life insurance policy. Let's say, for example, that your brother gets a divorce shortly after he receives the benefit you left for your kids. Because he made the mistake of depositing the money you meant for your children's care into accounts he shared with his soon-to-be-ex-wife, she may get to walk away with half that money, and your kids may never benefit from it.



A very simple solution to all the issues raised by picking the wrong name as your beneficiary can be solved by the creation of a Trust. The Trust ensures that the Trustee, the one responsible to disperse the money to your kids, fulfills their role by using the proceeds for the welfare of your kids. You can also specify at what age you want your kids to take control of the money.

An attorney who is skilled in drafting wills and trusts can help you create this simple document. Once you have your documents drafted don't forget to meet with your Financial Advisor to update the beneficiary names on your insurance policies, a crucial step that helps ensure your financial intentions for your loved ones are fulfilled.

## ABOUT DMG FINANCIAL

First established in 1993, DMG Financial was created to help clients achieve their most cherished goals through personalized financial planning services and a wide range of quality financial products. Today, DMG Financial has evolved to include a team of affiliated financial professionals from coast to coast. Working together, the advisors of DMG Financial offer the expertise, planning techniques, and products to serve businesses, individuals, and families.



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