

# Unintended Consequences That Can Alter an Estate Plan

## **What Advisors Should Know**

### INTRODUCTION

Even the best estate plan can fail if real-world details aren't aligned with the documents. Advisors regularly see situations where beneficiary designations, ownership structures, or contracts unintentionally override a client's carefully designed plan. Understanding how these mismatches occur, and how to prevent them, helps ensure a client's wishes are actually carried out.

### WHEN CONTRACTS OVERRIDE THE ESTATE PLAN

Clients may assume their will or trust governs everything they own. In reality, certain contractual obligations take precedence over those documents.

#### **Examples include:**

- Life insurance policies
- Retirement accounts like IRAs or 401(k)s
- Transfer on Death (TOD) or Payable on Death (POD) accounts
- Joint ownership with rights of survivorship

The account agreements for these accounts, including beneficiary designations and default beneficiary rules in the absence of a designation, control who receives the asset regardless of what the will or trust says.

If a client forgets to update a beneficiary, or excludes someone listed in the estate plan, that asset will bypass the plan entirely.

#### **Example:**

A client's trust states assets should be divided equally among three children. But a life insurance policy names only two children as beneficiaries. The policy's beneficiary form takes precedence, resulting in what may be an unintended consequence, disinheriting the third child from the life insurance policy.

### HOW POOR COORDINATION CAN DERAIL PLANNING GOALS

Beyond identifying who receives assets, beneficiary designations also dictate how assets are received. If a parent names a minor child directly as beneficiary, the funds will pass outright once the child reaches the age of majority (often 18), even if the trust specifies holding assets until age 25 or 30. This eliminates the protective provisions the family intended.

### Other common coordination errors include:

- Naming beneficiaries on accounts or insurance policies without regard for the estate plan.
- Not updating accounting titling or beneficiaries after creating or updating an estate plan.
- Updates made by one spouse but not the other, causing uneven or conflicting distributions.

These small oversights can completely undermine years of thoughtful planning.

### THE ADVISOR'S ROLE: ONGOING OVERSIGHT

#### Advisors are in a unique position to prevent these issues by:

- Reviewing beneficiary designations regularly, especially after major life events or account openings.
- Comparing current forms to the estate plan to ensure alignment.
- Using review conversations as discovery opportunities to identify outside accounts, old insurance policies, or employer retirement plans that haven't been updated.

Encouraging clients to view beneficiary management as part of their ongoing wealth planning, not a one-time task, can save families costly and emotional mistakes later.

Estate plans don't typically fail because of poor intentions; they fail because of poor coordination. Advisors who monitor account titling and beneficiary designations play a critical role in making sure the estate plan works as designed.

### THE BOTTOM LINE

Make beneficiary reviews a standard part of your client review process. Confirm that every policy, account, and deed aligns with the client's estate planning documents. A few minutes of attention today can prevent years of unintended consequences tomorrow.

To learn more about this topic, please watch our [Office Hours video](#) or reach out to your investment consultant.

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