

T.O.D. – A SIMPLE BUT EFFECTIVE ESTATE PLANNING TOOL

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Many people are familiar with the process of naming a beneficiary or multiple beneficiaries to their life insurance policies and their so called “qualified” investment accounts, such as IRA’s, 401K’s, 403(b)’s, etc. The applications to set up those particular accounts specifically ask the individual for information as to whom they would like to name as their primary (and contingent) beneficiaries to the policies or accounts.

What many people are not aware of is there is a way to set up other, non-qualified investment accounts, such as checking and savings accounts, C.D.’s, brokerage investment accounts, etc., utilizing the same concept of “beneficiaries”. This is done by including a “Transfer On Death” (T.O.D.) or “Paid On Death” (P.O.D.) designation to an account held in the name of an individual or jointly held by more than one individual. When all individual account holders die, the account is passed on automatically to the so named T.O.D. designee(s).

One of the benefits of using this technique to transfer accounts on death is the account then does not need to go through the sometimes costly “probate” process after a person dies. In a simple estate where there are no other more complex considerations, using this tool can decrease or eliminate the need for more complex estate planning tools such as trusts.

You should always seek the competent legal advice of experts in the estate planning arena for the appropriate use of this tool in your estate planning as there are typically many other considerations. However, when used properly, in conjunction with other estate planning tools, this can simplify the approach and cost of estate planning, when appropriate.