Are Your Beneficiary Designations Current?

Do your beneficiary designations reflect your current intentions? With the start of a new year, we often review the year past and contemplate the year ahead. Yet, we may forget to consider some of the most rudimentary but important items. The beginning of a new year can be a good time to review those you have listed as beneficiaries of your retirement accounts and life insurance policies.

When you open a retirement account or establish a life insurance policy, you are required to provide primary and contingent beneficiaries for the account or policy's proceeds when you pass away. These beneficiary designations are legally binding and provide for the passing of assets outside of probate. For a retirement account, such a designation must be made whether it is an employer-sponsored account (e.g., 401(k), 403(b), or 457), an account for the self-employed (e.g., SEP-IRA, KEOGH Profit Sharing, or KEOGH Money Purchase), or an individual account, such as a Rollover IRA, a Traditional IRA, or a Roth IRA. The same holds true for life insurance policies, whether they are provided as a benefit of your employment or you have purchased them individually.

Events that may cause you to want to change your beneficiary designations include a marriage or divorce, birth of a child, or the death of a listed beneficiary. If you are unsure whether your current beneficiary designations reflect your current intentions, contact your financial services provider and complete new beneficiary paperwork if necessary.

Where has the Integrity Gone?

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firm's own rules and harmed investors by allowing dozens of market timers to conduct short-term trading in at least ten INVESCO funds.

Regulators have alleged that other fund families, including Fred Alger Management, AllianceBernstein, Federated, Janus, Nations Funds, and One Group, allowed either market timing or late trading. [We presently use one mutual fund from the fund families listed here, Janus Small Cap Value. This fund is not managed by Janus personnel, but by Bob and Tom Perkins of Perkins, Wolf, McDonnell & Company of Chicago, the fund's subadvisor. The fund was previously part of the Berger Funds group until it was merged into the Janus fund family in April 2003. As such, Janus Small Cap Value has not been implicated in Janus' difficulties and we continue to recommend the fund to clients. Morningstar, an independent evaluator of mutual funds, has reached a similar conclusion, encouraging investors "to avoid Janus' in-house funds," while suggesting that Janus Small Cap Value continue to be held.]

Impact on You

Ultimately, regulatory pressure and its consequences will result in more equitable policies and procedures for all mutual fund shareholders. Shareholders of impacted mutual funds may receive restitution from guilty fund companies, which will be fined and required to disgorge the profits they made from improper activities.

In addition, more fund companies may employ the use of devices designed to restrict the harmful effects of market timing and late trading. Redemption fees may be imposed on more funds, requiring short-term shareholders (normally a holding period of 90 days or less) to pay one to two percent on the assets redeemed. Note that these redemption fees are reinvested into the impacted fund and are not paid to the fund company. Exchange privileges, or the number of exchanges allowed within a fund per year, may also be reduced, as well as setting early trading cutoffs for fund purchases and sales.