

Your *Trust* Matters

June 2021 Newsletter



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Beneficiary Designations and Your Estate Plan

Gustave Flaubert was often quoted as saying that “God is in the details” – meaning that everything you do should be done truthfully. And Friedrich Wilhelm Nietzsche is attributed with the saying “the devil is in the details”, which we know means that the smallest detail can derail the grandest plan.

Both are apt phrases for estate planning. Done well, an estate plan results in truthfully representing your wishes after your death. However, there are many critical details that need to align for a good estate plan, which is why I strongly recommend working with a trusted and experienced estate-planning attorney to create your estate plan, and with estate and trust professionals to enact that plan.

Did you know that if you have created a trust or will that it will not govern accounts with beneficiary designations? That means you could have a will that clearly states that your spouse should inherit the entirety of your estate but because you named your sibling as the beneficiary of your investment accounts before you were married and you never updated the beneficiary designation, your spouse may not receive any of those investment accounts or have to go through a process to be able to receive some (but not all) of the funds.

While sometimes used as an excellent estate planning tool, the designation of beneficiaries on accounts such as retirement accounts, investment accounts, certificates of deposit, life insurance, etc. can be an overlooked element of the follow-through of the estate plan. Your attorney and other estate professionals will help you determine how to name beneficiaries that are consistent with your will or trust so you do not inadvertently leave a substantial sum to an ex-spouse or to only one of your children. In the Trust Department, we often work with our clients to conduct an account titling and beneficiary review especially when there are major life events which may mean the designations have become outdated.

The challenge for all of us is that it's not easy to simplify the process. For example, you may think that naming your trust or estate as beneficiary on all of the accounts which require a beneficiary designation would be a good way to solve the problem—only to find out that it creates a different problem because it may receive a less favorable tax treatment. That is why I encourage everyone I know to work with a professional who will help you create the best and most consistent plan so your wishes are enacted faithfully.

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Related to this topic is the naming of joint owners, which effectively designates the owner(s) to be the beneficiary of the funds should you die. While there are often good reasons for doing this, it's important to consider the potential consequences before making such a change. There are often alternatives—naming someone as an authorized signer on your account or designating someone as your agent under your trust or through a Financial Power of Attorney—which can achieve the same objective while staying in sync with your estate plan.

I'll leave you with one last quote by Charles Eames—he may have been talking about fabulous interior design, but I think it also can be said of great estate planning: “The details are not the details. They make the design.”

Have a wonderful summer and don't hesitate to reach out if our MidWestOne Trust Services team can help!

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