

An Important Reason to Review Your Life Insurance Beneficiaries

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Did you know that it may be possible for your money and assets to be tied up in probate court for possibly a year which is not uncommon—if you were to die?

That's why it's important to review the beneficiaries of your life insurance policies and to verify that they will be paid to a named beneficiary (a person) and not the estate. This will prevent the money from being part of the probatable estate.

Here's why it matters.

Probate is simply the Latin word for prove, which means that the estate probate process is the process by which your will is brought before a court to prove that it's a valid will. The courts charged with this responsibility are generally known as probate courts, which may actually supervise the administration or settlement of your estate.

The probate process is governed by state statutes that are intended to accomplish three primary objectives:

1. To preserve estate assets
2. To protect the rights of creditors in the payment of their claims before the estate is distributed to the heirs
3. To assure that the heirs receive their inheritance in accordance with the terms of the estate owner's will

Once the estate's personal representative (executor or administrator, if the estate owner died without naming a personal representative) is approved by the probate court and posts any bond that is required, the probate process generally proceeds as follows:

The personal representative must "prove up" the will—prove that it is a valid will signed by the estate owner who was competent and not under duress or influence at the time of signing

Notice must be given by the personal representative to all creditors to make prompt claim for any money owned to them by the estate

The personal representative must prepare and file an inventory and appraisal of estate assets

The personal representative must manage and liquidate estate assets as appropriate to pay all debts, fees and taxes owed by the estate

Finally, the remaining estate must be distributed to the heirs in accordance with the estate owner's will (or the state laws of intestacy if there was no will)

While it is not uncommon for the probate process to require a year or more and considerable expense before the estate is finally settled, proper planning can serve to minimize the impact of the probate process on your estate and heirs.

By ensuring that your life insurance benefits are paid to a named beneficiary and not the estate, you will prevent the death proceeds from being part of the probatable estate, saving both time and expenses in distributing proceeds to your beneficiaries.

As you can see, this is a complicated matter that is best worked on with the help of your financial, insurance and legal advisors.