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Prevent Major Headaches for Minor Beneficiaries

Source: NRECA's Straight Talk, written by Doreen Friel

If you have assets, it's important to plan for what will happen to them after you're gone. When designating beneficiaries and heirs who are minors, you need to be cautious. Unless you make special provisions, the court may appoint a financial guardian; or, a family member may petition the court to serve in this role. These extra legal steps can be time-consuming and costly for your survivors or estate.

Things to consider when your beneficiaries/heirs are minors:

- Establish a will. With the help of an estate-planning attorney, consider naming the child as a beneficiary in your will.
- Name a trustee. If your will establishes a trust, you can choose a person to manage the money until the child reaches adulthood—or until such time as your heir has access to the money, under the provisions of the trust.
- Create a trust. With a trust, you can be more specific about how the money or asset should be used, and you can determine when the heir gains full control of it.
- A trust can be more expensive to establish. So consider its value to you. Be sure to work with an estate-planning attorney to make sure it is drafted properly.

If you die without having created a will or naming anyone as the beneficiaries of your assets, they will generally be distributed in the following order: spouse, children, parents, siblings, and executors or administrators of your estate. If you need assistance, an estate-planning attorney can help you make revisions to or create the documents you'll need to achieve your estate-planning objectives.

This article offers informational purposes only and is not intended to be tax advice. Consult a tax adviser for information specific to your situation.

