There is another commonly used planning technique that we refer to as “planning by the box.” This is typically accomplished by checking a “box” on a life insurance policy or pension benefit form. The “box” contains the beneficiary designation that specifies who will receive the life insurance proceeds or other benefits, such as a pension, profit sharing plan, or other retirement benefit. Planning “by the box” has significant pitfalls.

First, designating your beneficiaries in a standard business form “beneficiary designation” often means losing control of a major part of your estate. It does not enable you to leave instructions or provide guidance to your loved ones. All too often the proceeds end up in the hands of the child’s creditors or ex-spouse.

> Example: Luke’s Pitfall Story:
>
> Luke’s grandfather left him a large amount of money from a life insurance policy. For the first time in thirty-five years, Luke had real wealth. He bought everything in sight and got into business deals he knew nothing about. He no longer had time to teach school.
>
> Unfortunately, the money went out as fast as it came in. In a few years, Luke lost everything. All his sure-fired deals had backfired, and Luke was broke and without a job. Luke was a good teacher; he was not a good businessman. He was not prepared to handle the large sum of money his grandfather left him.
>
> Luke’s inheritance proved to be hurtful rather than helpful.

Second, on too many occasions, the wrong beneficiary is named in the beneficiary designation.

> Example: Herb and Joni’s Pitfall Story:
>
> Herb prepared a will and trust leaving his entire estate to his wife Joni and their minor children. On Herb’s death the executor discovered a major life insurance policy that had an old beneficiary designation naming Herb’s ex-wife, Melissa. Despite Herb’s intentions, and the planning he did to benefit Joni and the kids, Herb’s ex-wife Melissa received the insurance proceeds.

Third, a beneficiary designation will not protect your spouse and children from creditors or unscrupulous people (“predators”). A beneficiary designation directs the money to be paid to your designated beneficiary without any control or guidelines on how the money is to be safeguarded.

> Example: Ben and Lori’s Pitfall Story:
>
> On Ben and Lori’s joint deaths in an automobile accident, they left their life insurance and retirement proceeds equally to their minor children. Since no family members were available to serve as guardians, the probate court appointed a local attorney to serve as the children’s financial guardian. The guardian managed the money and charged significant but commonly

accepted fees for doing so over many years. The court costs and fees were also significant. The court, through the guardianship proceedings, controlled the entire process of taking care of the children.

Ben and Lori would never have knowingly left their children in such straights. They did the perfectly loving thing by providing life insurance and retirement benefits for their children. They simply forgot to leave instructions for their use.

Fourth, equal distributions from a beneficiary designation may cause unequal results that will not meet your family's special needs. It has been said that nothing is more unequal than the equal treatment of unequals. You can love your children equally, but they often do not have equal needs. If you have a child that is likely to need special help, then "checking the box" often fails to allow for proper estate planning.

Example: Sharon's Pitfall Story:

Sharon has two teenage sons and a daughter, Jill, who has a severe developmental disability. Since her husband's death, Sharon had gone to extra lengths to do everything possible to protect Jill, separate and apart from her planning for her boys.

Unfortunately, Sharon's pension plan and her group life insurance have the following "check the box" designation: "Children in equal shares." The designation forms did not contain any other option when designating children. On Sharon's death, her company pension and life insurance proceeds will totally bypass her planning for Jill and the boys. Since Jill is unable to take care of herself, her one-third share will end up being administered through a court-supervised conservatorship.

In summary, planning via beneficiary designation does not meet our criteria for "Lives and Legacies Well Planned." "Check the box" planning does not give us control of our property during life, it does not provide for appropriate safeguards and restrictions for protection of the beneficiary from creditors and predators, and it does not provide for minimizing or eliminating estate tax liability.