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Who's your *beneficiary?*

Here's why you should review your policy nominees regularly **BY LETITIA WATSON**

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- The Fiduciary Institute of Southern Africa: **fisa.net.za**
- The Financial Planning Institute of Southern Africa lists accredited financial advisers: **fpi.co.za**

WHEN did you last update your list of beneficiaries for your life insurance, retirement or endowment policy?

Financial advisers reveal that many people don't bother – and it's one of the most common and expensive money mistakes you can make.

For example, you get divorced and although you change your will to remove your ex-spouse, you forget about a policy that you took out long ago.

Regardless of what your will says, as a listed beneficiary your ex will inherit the proceeds from that policy.

Here are more reasons why you should check your beneficiary lists regularly.

1 IMPORTANT LIFE EVENTS

Getting married or divorced and changing your will won't automatically affect the beneficiaries on your life insurance and endowment policies.

That's because insurers will only pay out the returns on the policy to the deceased's beneficiaries on their records.

For example, you listed a family

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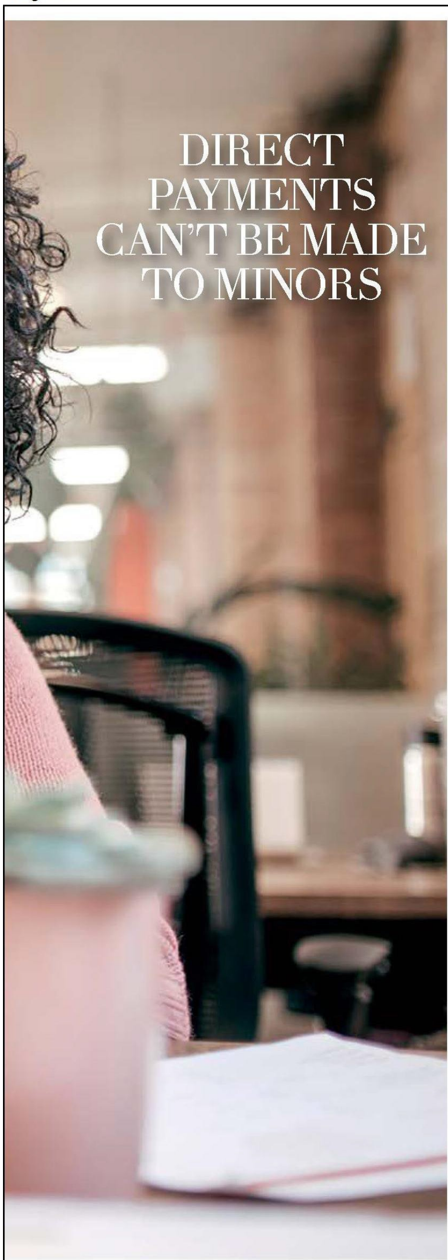
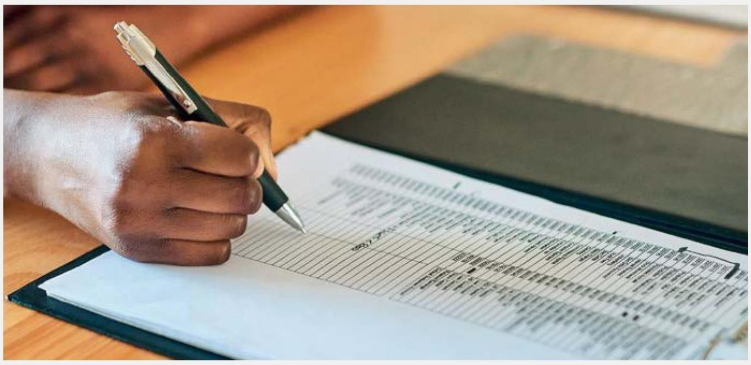


member as a beneficiary when you were unmarried, but then you got married at a later date.

If you didn't register your spouse as the new beneficiary with the insurance company, the originally listed family member will get the money.

That's why it's important to check and adjust your policy beneficiaries when you get married, divorced, have children or someone dies.



MAKING CHANGES

If you want to add or replace a beneficiary, you need to submit a beneficiary nomination form with the life insurer or investment company.

You can do it at any time but someone else can't do it on your behalf if you're deceased.

The nomination forms are available online or you can phone the company's call centre and ask them to send one to you. The nomination of a beneficiary takes effect when the insurer confirms receipt of the nomination form.

If you don't name a beneficiary, the money will go to your estate when you die. The trouble is that the winding up of an estate can take months or even years to complete, but policies that have beneficiaries pay out immediately.

2 BENEFICIARIES CAN BECOME INELIGIBLE

Companies aren't legally allowed to pay out endowment policies to beneficiaries who are incapable of managing their own affairs, for example if they have Alzheimer's disease or dementia.

According to Sanlam Trust, in such a case the money will be paid to a curator bonis.

A curator bonis is a court-appointed person who takes care of the unfit person's estate.

If you want to ensure someone legally incapable is cared for by the policy payout, it's better to speak to an estate expert about how to do this.

One way, for example, is by using a testamentary trust.

TIP

It's not the same thing to nominate a beneficiary in a policy as it is to cede a policy to someone. If a policy is ceded to someone, that person becomes the policyholder and can nominate their own beneficiaries.

3 IF THE BENEFICIARY IS UNDERAGE

It's best to speak to an estate expert if your underage child is a beneficiary because direct payments can't be made to minors (under the age of 18).

The money can only legally be paid to the child's biological parent or legal guardian. In the absence of any guardians, the money is paid to the Guardian's Fund of the master of the high court, where it's then invested on the child's behalf.

You can stipulate in your will that the money is held in a trust until the child is of age.

Financial advisers or lawyers who are estate experts can explain the options in detail to you.

4 THE DEATH OF A BENEFICIARY

It sometimes happens that a nominated beneficiary dies before the policyholder.

If the policyholder then dies without having updated their policy, the proceeds of the policy will be paid to the deceased estate of the policyholder and not to the beneficiary's heirs, according to Sanlam Trust.