DESIGNATE AN IRREVOCABLE TRUST AS A BENEFICIARY FOR A PAYABLE ON DEATH (POD) OR TRANSFER ON DEATH (TOD) ACCOUNT

In many cases, you can designate an irrevocable trust as a beneficiary for a Payable on Death (POD) or Transfer on Death (TOD) account. This is a common and often effective estate planning strategy, but it requires careful coordination to ensure it works as intended.

Here's why this is a good idea and some things to consider:

Why Name a Trust as a POD/TOD Beneficiary?

- Avoids Probate: Just like naming an individual, naming a trust as the beneficiary allows the assets to bypass the probate process. The financial institution simply transfers the funds to the trustee of the trust upon your death, which is usually a much faster and simpler process than probate.
- Maintains Control and Flexibility: A POD/TOD designation with a trust as the beneficiary allows you to retain control over your assets during your lifetime. You can spend the money, close the account, or change the beneficiary designation at any time.
- Provides Structure and Protection: This is the most significant benefit. By directing the assets into an irrevocable trust, you can:
  - Control Distribution: The trust document dictates how and when the funds are distributed to the ultimate beneficiaries (e.g., your children or grandchildren). You can specify conditions like "at age 25," "for education expenses," or "in equal annual installments."
  - Protect from Creditors: Assets held in an irrevocable trust are generally protected from the creditors of the beneficiaries.
  - Provide for Special Needs: If a beneficiary has special needs, a trust can be a crucial tool to provide for them without jeopardizing their eligibility for government benefits.

Key Considerations

- Coordination is Crucial: The POD/TOD designation must be coordinated with your overall estate plan. If your will or other documents say one thing, but your POD/TOD designation says another, the POD/TOD will almost always control for that specific account.

- Financial Institution Requirements: Each bank or brokerage firm may have its own specific requirements for naming a trust as a beneficiary. You will likely need to provide the full legal name of the trust and potentially the date it was created.
- Irrevocable vs. Revocable Trust: While you can use a revocable trust in this manner, using an irrevocable trust offers additional protections, particularly for asset protection and tax planning purposes. An irrevocable trust, by its nature, cannot be changed after it is created, which can be an advantage for certain planning goals.
- Potential for Liquidity Issues: If you use POD/TOD designations on all your liquid assets, your estate may not have enough cash to pay for final expenses, debts, or taxes. This could force the executor to ask the trust for funds, which can be a complex and sometimes contentious process.