

Typical Customer Hypothetical

Family Dynamic:

Husband ("H") 80
 Wife ("W") 78
 3 Children: A-58, B-55, C-51
 6 Grandchildren a-1, 2, 3; b-1, 2, and c1

Scenario: Wife and B die in car accident. Husband so distraught, he dies just weeks later.

Bene Designations: Each listed spouse as primary, and 3 children contingent (custodian's rules, most often *per capita* but see below).

Product/Asset	Value	Default: no named beneficiaries	Named benes designated	Client's probable wishes	Difference	Fix
American Funds IRA	300,000	A & C = 100K/each b-1 & b-2 = 50/each	A & C = 150K/ea.	Default, i.e., b-1 & b-2 should take	<i>b-1 and b-2 disinherited out of 50K/each.</i>	Default or "per stirpes"
Hartford VA	180,000	Estate = Probate	A & C = 60K/each B's share = reverter for probate.	Same as above	b-1 & b-2 = 10/each b/c probate per stirpes, so A&C take 20 each & b-1 & b-2 split B's 20K; <i>b-1 & b-2 = 20K less/each</i>	add "per stirpes"
Sun Life VA	180,000	Estate = Probate	A & C take 90K/each	Same as above	<i>b-1 & b-2 disinherited out of 30K/each.</i>	Sun Life doesn't allow "per stirpes" so switch or RLT
NQ Brokerage	210,000	Estate = Probate	If TOD, specific rules of custodian control	Same as above	If TOD benes, likely per capita default so b-1 & b-2 disinherited out of 35K/each.	Add "per stirpes" if custodian allows or RLT.

In the above scenario, which is not too uncommon, b-1 and b-2 may have FINRA arbitration claims against you as follows:

Asset	Damages
American	50,000
Hartford	40,000
Sun Life	60,000
NQ Brokerage	70,000
Total claim	220,000

Their case is stronger or weaker based on some of the following facts:

1. FA's inconsistent beneficiary designations across products/custodians.
2. FA's knowledge (knew or should have known) of customer's wishes.
3. Wishes as articulated in a will or trust that are consistent with "per stirpes" and contrary to outcome.
4. Invocation of intestate laws that would have allocated these amounts to b-1 and b-2.
5. FA's revenue generated from product sales, financial planning fees.
6. Client's stated wishes as FA recorded them. In other words, sometimes clients want different allocations among products, such as naming lower income/tax bracket children to IRAs/qualified accounts and higher tax bracket children the NQ, step up assets. If so, spare no trees or electricity in recording these wishes, especially if contrary to in-force estate planning documents.