

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.