

# Popular Threads on Solosez

## Stocks With Beneficiaries

Can someone explain what kind of "stock" would have a beneficiary? A mutual fund set up as an IRA? Anything else?

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What's the context?

Almost any kind of stock could have a beneficiary if it's phrased that broadly... for example, common stock usually carries the right to receive dividends - is the stockholder a beneficiary then? Maybe I don't understand the question. Are you asking about stock that grants a benefit to some beneficiary other than the stockholder? If you're asking about benefits a stockholder would receive, then you've got things like dividends, distribution on dissolution, voting, etc.

Andrew Diaz-Matos

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The investment companies, such as Fidelity and others have beneficiary designation blanks on the forms signed when opening accounts. Maybe that is what you speak about.

I have not checked, but some of the companies may have their new account forms online.

Rob Robertson, Austin, Texas

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I have a client setting up an estate plan and he said that he has already designated his children to be the beneficiary of his stock when he dies. Therefore, these stocks would seem to fall outside of a probate estate. As opposed to being an asset of the estate.

Patricia Bloom-McDonald, Stoughton, Massachusetts

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Usually this means he holds stocks in an ESOP or retirement plan. One needs further information on the character of the asset holding the stock, as it is not held directly. Ask for the account statement or shares of stock to check.

Darrell G. Stewart, San Antonio, Texas

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Pat - Not sure if this is what you're thinking of, but an odd creature of MA



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law is a Massachusetts Business Trust. It is a trust, but unlike most trusts is not filed with the Registry of Deeds. It is filed with Secretary of State's Corporations Division and local Town or City Clerk. Instead of a single beneficiary, it issues shares - actual certificates like stock shares.

Peter Clark

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I think the most likely explanation is that the stocks are held in a brokerage account where the brokerage allows for a transfer-on-death designation.

This works as a "poor man's estate plan" but I am generally skeptical about its appropriateness for estate planning because (a) assets are passing outside of trust, and may go to creditors of the beneficiaries; (b) if the client's intent is to give 1/3 to each of 3 children, giving one kid cash in a P/O/D bank account, one kid real estate (through joint tenancy), and one kid a P/O/D brokerage account .. what if the client sells the house and puts the proceeds in the brokerage account? Did he really mean to disinherit the kid who was supposed to get the house? what if the value of the stock in the account doubles (or gets cut in half) before the client's death?; (c) what if the assets in the brokerage account are needed to pay taxes or administrative expenses on assets that are inside the probate account, like real estate?

Greg Broiles, San Jose, California

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A matter of state law, but in VA for example, any security (certificated or not) may be held in a "TOD" or transfer on death form on either the certificate, documentation of ownership (operating agreement), etc.:

VA Code § 64.1-206.4. Form of registration in beneficiary form; effect.

Registration in beneficiary form may be shown by the words "transfer on death" or the abbreviation "TOD," or by the words "pay on death" or the abbreviation "POD," after the name of the registered owner and before the name of the beneficiary. The designation of a TOD beneficiary on a registration in beneficiary form has no effect on ownership until the owner's death. A registration of a security in beneficiary form may be canceled or changed at any time by the sole owner or all then surviving owners without the consent of the beneficiary. In states like Virginia where trusts are rarely used, I believe this is an effective estate planning device in appropriate circumstances.

Lee A. Handford, Norfolk, Virginia

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Check your probate code to see if it allows for stock ownership "payable on death" or "POD."

Jeffrey P. Buhrman, South Portland, Maine

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