

Why should I change account beneficiaries after a divorce?

Most divorce judgments provide for the division of assets such as life insurance, bank accounts, IRAs, 401(k)s and other investments that include beneficiaries. If you are assigned such assets, federal law often trumps (the legal term is “pre-empts”) state law regarding disposition of these assets upon death. Therefore, even though the state court enters an order assigning an account to you, if you do not change the beneficiary to remove your spouse, your spouse will have a claim against the asset. In the worst-case scenario, even though you have bargained to receive the asset, the court will have no choice but to assign the asset to your spouse.