

June Newsletter from the Ukoha-Ajike Law Group!

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## June Newsletter!

by Endy Ukoha-Ajike



Your Life Insurance Policy is a very important part of your estate plan. It provides ready cash to your beneficiaries and instant liquidity to your estate when you pass away if your estate is the named beneficiary. Even better, life insurance proceeds are not taxable upon distribution. *See below for more info.*

Don't forget to join us on June 23rd, 2016 at Lungomare Restaurant on the Jack London Square waterfront for wine/cheese and our monthly seminar. This month's topic is Protecting your Wealth from Healthcare Costs in Retirement with special guest Lewis Phillips. [RSVP](#) today. Hope to see you all.

~Endy

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### Your Life Insurance Policy: Beneficiary Designations And Payout At Death

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#### What if your Beneficiary is a Minor?

Life insurance proceeds are not payable to minors

## Upcoming Events



### - June Seminar- Protecting your Wealth from Healthcare Costs in Retirement

Join us for our next free seminar with **Special Guest: Lewis Phillips, Senior Financial Advisor with Merrill Lynch Wealth Management.** Wine and cheese included! Space is Limited.

**Date:** June 23rd, 2016

**Time:** 6pm-8pm

Presentation @ 6:30pm

Doors Open @ 6pm

**Location:** Lungomare

1 Broadway

Oakland, CA 94607

because they are minors and cannot enter into contracts. Instead my experience is that some life insurance owners name an adult, maybe a relative to receive the proceeds and use it for the minor child's needs. The drawback to this is that if the named adult loses the money due to any number of reasons, the minor child would not have a lot of options for recourse.

### **What to do? Name your Revocable Living Trust as Beneficiary:**

To overcome the problem above, create a Revocable Living Trust, name the trust as the beneficiary to the policy and name the adult in the example as trustee of the trust. Upon death of the life insurance owner, the trustee will receive the proceeds of the policy as Trustee and in performance of his fiduciary obligations as trustee under the Probate Code will use the proceeds according to the provisions of the trust.

### **Asset/Creditor Protection Benefits:**

This simple technique provides a reasonable measure of asset protection from creditors of the beneficiary who cannot reach the proceeds of the policy because it is owned by the trust and not the debtor beneficiary.

This planning method is especially useful for single parent families who have minor children, or parents who do not believe their adult children can properly manage their life insurance proceeds prudently.

### **Your Life Insurance As Community Property:**

In California your life insurance policy purchased during marriage with community property funds and paid for during marriage with those funds belongs to both husband and wife. Community property funds are salaries, wages, income earned by either husband and wife or both during marriage.

### **Beneficiary Designation for Community Property Life Insurance Policy:**

A spouse may not name a non-spouse as

## **Contribute to the Conversation!**

Our goal is to make the seminar as informative and interactive as possible so please submit any questions that you have on this month's topic and Endy and Lewis will address them at the seminar.

**Submit Your Questions Here**

## **Important Notices**



### **IRS Warns of Latest Scam Variation Involving Bogus "Federal Student Tax"**

- Please click on the link below for details on the above IRS notice issued on May 27, 2016 on the latest scams involving phone calls by people supposedly from the IRS asking for personal information regarding "Federal Student Tax" owed by the person they call. [Read more @ IRS.gov.](#)

beneficiary of more than one half ( $\frac{1}{2}$ ) of a life insurance policy that belongs to the community as described above. This is because one half ( $\frac{1}{2}$ ) already belongs to the spouse who is not named as beneficiary unless that spouse who is not named gives a written waiver of her right to not be named. In the course of my practice I have successfully litigated cases and recovered money on behalf of wives whose husbands named their family members as beneficiaries of life insurance policies bought during marriage with community property funds while ignoring their wives.

### **What happens to Life Insurance Policy At/During Divorce?**

It is common for the courts during a divorce to issue an order that a spouse may not change the beneficiary designation on a life insurance policy the couple own during marriage until the final decree of divorce is issued. The courts do so to prevent one spouse's name being removed from the life insurance policy by the other spouse during divorce.

### **Can Your Ex-Spouse Receive Your Life Insurance Proceeds At Death?**

If your ex-spouse is named as beneficiary on your life insurance policy at your death because you did not change it after your divorce was complete, then the courts will presume you wanted her/him to receive the proceeds and will pay said proceeds to your ex-spouse. To prevent this, change the named beneficiary of your policy immediately upon completion of your divorce.

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#### **Endy's Planning Tip:**

*Consult with an Estate Planning Attorney for advice before you name a beneficiary on your life insurance policy especially if you are a*

*couple with minor or adult children, a single parent with children, or if you are going through a divorce. It will save you from potential headaches.*

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Share the news!



**About Endy:**

Endy is an Oakland (Jack London Square) based Tax & Estate Planning Attorney with over 13 years of experience. He has helped countless families throughout California develop individualized estate plans and has administered many estates over that period.

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