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The Savvy Investor
Transfer on Death (TOD)
Advantages

Don't Die Without a Will

There are numerous consequences for not having a will, including who becomes the administrator, who inherits the assets and in what manner they receive them. If there is no will, the state in which the deceased person was a resident can end up determining all of these factors.

What's a TOD?

If you do not have a will, a simple "Transfer on Death" (TOD) is an excellent substitute. The TOD specifies how the assets in the account are to be distributed, the same as you might stipulate in your will. The beauty is that it is a simple, one-page form; easily changed any number of times; and does not incur the expense of working with an attorney, in most cases.

Even if you have a will, the TOD can be useful since it assures assets are not tied up in probate. They are transferred to beneficiaries in a matter of days instead of months.

The TOD can only be used for taxable accounts. It serves the same purpose as the Beneficiary Agreement used for non-taxable accounts (IRAs), or the Payable on Death form (POD) used by banks.

The TOD only applies to one account at a time. You need a separate TOD for each, taxable account.

When Not to use a TOD

You might not want to use a TOD if you have a complex estate; if you have credit shelter trusts that will be established in accordance with your will; or if you already moved your assets into a trust.

Bottom Line

If you do not have a will, consider having a TOD to specify your account beneficiaries.

If you do have a will, the TOD can avoid having your account being tied up for months in probate.

Please contact us to see if a TOD is applicable to your situation.