



## Reasons Not to Leave All Assets to A Sole Beneficiary With the Expectation They Will Make Distributions to Others

Sometimes, clients believe it will be easier to leave all of their assets to one person (the sole beneficiary) and have that person distribute the assets according to the client's wishes after their death.

There are many reasons why this is not a good plan.

- Once you die, the asset belongs to the sole beneficiary.
- The sole beneficiary is not required to provide an inventory or accounting to anyone. How will those not included as beneficiaries know that you wanted them to inherit from your assets?
- How will the sole beneficiary prove what your wishes were?
- This plan puts the sole beneficiary in a difficult position. They are left to deal with family members or friends who are likely unhappy with being excluded. Those left out are also unlikely to trust the sole beneficiary.
- If the sole beneficiary distributes money to others after your death, the sole beneficiary is making gifts for IRS purposes. Any gift that exceeds the annual gift tax exclusion amount (*\$19,000.00 per person per year in 2025*) requires the filing of a gift tax return with the IRS by the person making the gift.
- Gifted property does not get a step-up in basis, but inherited property does.
- Owning all of the assets may impact the sole beneficiary's tax status.
- What happens if the sole beneficiary:
  - a. files for bankruptcy or is involved in a lawsuit?
  - b. is convicted of a crime?
  - c. becomes mentally impaired?
  - d. dies?